

**IMPACT OF THE ALTERNATIVE BASE PERIOD  
ON ADMINISTRATIVE COSTS**  
(Volume II)

by

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This volume, **Impact of the Alternative Base Period on Administrative Costs**, was prepared by Planmatics. It is one of six volumes on the evaluation of the alternative base period for unemployment insurance, conducted by Planmatics for the U.S. Department of Labor Contract No. K-54355008030. **Volume I, Summary of Findings on the Alternative Base Period**, summarizes the information presented in Volumes II through VI. **Volume II, Impact of the Alternative Base Period on Administrative Costs**, contains descriptions of the processes and procedures resulting from implementing ABP and estimates of implementation and administrative costs. **Volume III, Impact of the Alternative Base Period on Employers**, contains analyses of the effects of ABP on employers and descriptions of reporting formats and mediums used. **Volume IV, Impact of the Alternative Base Period on the Trust Fund**, contains analysis and simulations of the impact of ABP on the trust fund in five states. The Urban Institute was responsible for the contents of this volume as a subcontractor to Planmatics. **Volume V, Demographic Profile of UI Recipients under the Alternative Base Period**, contains descriptions and analyses of workers eligible for unemployment insurance in New Jersey and Washington and comparisons with regular UI recipients. **Volume VI, Handbook for States Implementing the Alternative Base Period**, contains information on lessons learned from states with alternative base periods and provides guidelines on how to design and implement such systems.

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# **1. INTRODUCTION**

## **1.1 UNEMPLOYMENT INSURANCE**

Unemployment compensation has been one of the United States' most successful social insurance programs for over 50 years. Its central purpose is to provide unemployed workers the means of getting through a temporary period of involuntary unemployment without having to turn to welfare and without having to face a needs test. Unemployment Insurance (UI) has also served the business community by getting money into circulation at the outset of a local or national economic downturn, thus helping to ease recessionary pressures.

The federal governments and state governments share responsibilities for implementing the unemployment compensation program. The program is administered in accordance with state law, which prescribes the tax structure, qualifying requirements, benefit levels and disqualification provisions. States' laws must, however, conform to federal guidelines.

## **1.2 THE ALTERNATIVE BASE PERIOD**

Monetary eligibility for unemployment insurance benefits is based on a claimant's insured earnings during a "base period." Typically, the base period consists of the first four of the last five completed calendar quarters immediately preceding the filing of a claim. This base period is referred to as the "regular base period" in this report. Eight states currently offer claimants the option of having their eligibility determined under an alternative period if they are not eligible under the regular base period.<sup>1</sup> This period is referred to as the "alternative base period," or ABP, in this study. The alternative base period uses wages earned in more recent

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<sup>1</sup> In the case of Massachusetts, the alternative base period can also be used if the claimant believes that he or she would be eligible for an increase of 10 percent or more in his or her total benefit credit and has submitted credible substantiation for such a belief.

quarters as a basis for determining eligibility. The states that have ABP provisions in their UI laws are Maine, Massachusetts, New Jersey, North Carolina, Ohio, Rhode Island, Vermont, and Washington.

### **1.3 STUDY OF ONE-TIME AND ONGOING COSTS**

This report contains the result of a study conducted to estimate the costs of implementing and administering the alternative base period. UI agencies of Vermont, Maine, Ohio, New Jersey, and Washington were visited to obtain information on these costs. Vermont and Maine were unable to provide estimates of these costs while Washington and Ohio had estimates of some components of the one-time costs of implementing ABP. Only New Jersey was able to provide an estimate of all the one-time costs of implementing ABP.

Estimates of the ongoing costs of administering ABP were not available in any state because there had been no studies to estimate the times needed for ABP related procedures. Thus, we conducted studies in New Jersey and Washington to estimate the ongoing administrative costs. In-depth interviews with program administrators and local UI office personnel provided sufficient information to produce the estimates needed.

The types of costs of implementing and administering ABP that states usually incur are described in Section 2. The factors affecting the administrative costs and the options for obtaining lag and current quarter wages are also discussed. Section 3 contains the costs of implementing and administering ABP in New Jersey, and Section 4 contains cost data that were obtained from Washington. Section 5 contains information on selected categories of costs of implementing ABP that were collected from Vermont, Ohio, and Maine.

## **2. GENERIC COSTS**

### **2.1 INTRODUCTION**

This section describes the components of implementing and administering ABP that are common to most states.

ABP costs can be divided into two main areas:

- One-time costs (start-up costs)
- Ongoing costs (continuing costs)

One-time costs are incurred when a state modifies its existing UI administration system to handle ABP claims. These costs are incurred only once (when the ABP laws are implemented).

Ongoing costs consist of increases in the day-to-day UI program administration costs associated with ABP laws. These result from the increased claims volume and additional administrative procedures.

### **2.2 FACTORS AFFECTING COSTS**

The cost estimates in this report are based on the experience of the states that were studied. They cannot be used to accurately estimate the costs of ABP changes in other states because these are likely to vary from state to state. These costs will depend on a number of factors, which are discussed in the following paragraphs.

**a. Population of the state and the number of claimants**

The population and size of the state will affect several major components of one-time costs, such as training. Larger states with bigger populations, which have a relatively larger number of local offices and UI staff, will have higher training costs. Depending upon the system configurations in place and the method used for ABP integration, the cost of new hardware and software may also be affected by the size of the state. For example, as a result of ABP coming into effect, New Jersey purchased an additional personal computer and printer for each of its local offices. The cost of such a purchase will vary with the number of local offices in a state.

Ongoing administrative costs are also highly correlated with the number of claimants in the state and will be higher in a state with a larger number of claimants.

**b. Type of personnel making the changes to the state's UI software**

The one-time costs of changing the UI computer system are likely to be lower if internal personnel familiar with the system implement them. Conversely, the costs are likely to be much higher if external resources such as outside vendors are used. The UI software systems are large and complex, and the external resources will have to spend a large amount of time trying to understand the existing software system before implementing any changes. In addition, internal personnel typically have lower wage rates than external resources. The states studied used internal personnel to make the changes in their software.

**c. ABP laws that are being implemented**

The ABP laws that are being implemented affect both the one-time costs and the ongoing costs. If a state has two alternative base periods, then it will have higher ABP-related costs than if it has only one alternative base period. Additional computer programming changes and process-related changes will have to be made to handle the second ABP.

Both the one-time and ongoing costs of an ABP consisting of the "last four completed calendar quarters" are lower than an ABP consisting of "last three completed calendar quarters plus weeks in the filing (current) quarter." Monetary determinations based on the latter ABP



always need wage requests or wage affidavits since the current quarter wages are not available on the UI computer systems. Additional computer programming changes are also required for an ABP that includes the current quarter. These are briefly described in Section 2.4.a.

Other provisions of the ABP law may also affect costs. In most states the claimant can use the ABP option only if he or she is monetarily ineligible under the regular base period. In Massachusetts, such a claimant can still use the ABP option if he or she is eligible for an increase of 10 percent or more in total benefit credit. Such a provision increases both the programming and ongoing costs related to ABP.

#### **d. Current UI laws**

Current UI laws also affect ABP related one-time and ongoing costs. An example is the minimum qualifying requirements for benefit eligibility. If the qualifying formula has a weekly basis (as in New Jersey), then the costs will be higher than if the formula has a quarterly basis (as in Vermont). The reason is that obtaining wage reports from employers, entering the wage reports, making monetary determinations, and storing the wage reports are more time-consuming for weekly wages than for quarterly wages.

If the base period monetary eligibility requirements in a state are lenient, then more claimants would qualify for the regular base period, decreasing the number of ABP claimants. Thus the ongoing costs of handling ABP claims will be lower in such a state.

#### **e. System used to obtain lag and current quarter wage information**

ABP states will need to implement a system of obtaining lag and current quarter wage information when it is not available on the state UI computer systems. The two systems currently used by the ABP states are the wage request and the wage record system. These systems have different costs since they require different changes to the computer systems and the UI processes. They are described in detail in Section 2.3.

## **2.3 METHODS OF OBTAINING LAG AND CURRENT QUARTER WAGE INFORMATION**

In most states, employers send in quarterly wage reports after the end of each quarter. These wage reports are entered onto the state UI computer system and accessed when monetary determinations of UI eligibility need to be made. This system of collecting, recording, and accessing the quarterly wage reports is known as the “wage record system.” Since there is a lag quarter between the regular base period and the filing quarter, the regular base period wages are available on the wage record system. However, a majority of lag quarter wages and none of the current quarter wages are available using this system. There are three possible methods of obtaining lag and current quarter wage information: a pure wage records system, a wage requests system, and a wage affidavits system.

### **a. Wage Records System**

Under a pure wage record system, a state UI agency uses the lag and current quarter wages available on the computer system. If these wages are not available, it waits until quarterly wages reported by a claimant’s employers become available on the computer system before making an eligibility determination using ABP. This system might require a long waiting period to determine eligibility and violate the “payment when due” clause of 42 U.S.C. §503 (a) (1) (See Section 2.3.d.). Failure to adhere to the “payment when due” standard could jeopardize federal grant moneys earmarked for a particular state.

Because of this, no state that has implemented the ABP law is currently using the wage record system to handle all of its ABP claims; there is at least one other system in place to handle claims when lag/current quarter wage information is not available on the UI computer system.

### **b. Wage Requests System**

The wage request system is currently the most common method of obtaining lag and current quarter wage information. Of the six states that were studied, Vermont, Maine, Washington (during the first four weeks of the quarter), New Jersey, and Massachusetts use wage

requests as the primary method of obtaining wage information where that information is unavailable on the state UI database.

Under this system, if a claimant's wages are not available from the database of quarterly wages, then wage data are requested from the base period employer(s). This system lends itself to partial automation since wage requests can be generated automatically by the computer system of the UI agency. This limits the amount of paper that must be handled by local office staff.

Generally, wage request data are also more accurate than wage affidavit data.

However, one drawback of using wage requests is that they create a delay between the claimant's time of filing and the time at which a determination of monetary eligibility can be made. This delay is the result of the time needed for the UI agency to issue the request to the employer; for the employer to receive, complete, and return the request; and for the UI agency to receive it back from the employer. Another drawback is the fact that because some employers do not respond to the wage requests, UI agency staff must contact them by telephone, which increases administrative costs. The wage request system also creates more paperwork for employers, increasing their administrative costs.

### **c. Wage Affidavits System**

Using wage affidavits is another method of obtaining wage data on a particular claimant where these data are not available on the state UI database. Typically, a claimant is asked by UI agency staff to complete an affidavit and present some documentation (e.g., paycheck stubs) of wages earned for the period for which the information is not available on the state UI database. An eligibility determination could then be made based upon the information contained in the affidavit.

Of the states that have implemented an ABP, only Ohio uses the wage affidavit system primarily where wage information is unavailable from the state UI database, while New Jersey and Washington use this system where other methods of obtaining wage information are unsuccessful.

The use of wage affidavits as part of an ABP implementation scheme has both advantages and drawbacks. The advantage is that they provide the most expeditious means for obtaining any necessary wage information not available on the state UI database.

However, since they require an interview with the claimant and manual entry of all missing wage information by local office staff, wage affidavits are time and labor intensive. The information provided by the claimant, upon which eligibility and benefit determinations are based, is often incorrect and prone to creating overpayments that require amendments to both the benefit amounts and the employer tax rates. These corrections cost time and money and result in additional administrative costs to employers and to the state UI agency. When overpayments are made, some party must bear the loss. The overpayment can be subtracted from subsequent payments made to the claimant, the state UI trust fund can absorb the loss or, in some cases, the employer may bear some portion of the loss.

Ohio Bureau of Employment Services staff estimate that approximately 90% of the wage affidavits filed do not match the quarterly wages reported and require corrections. Employers who fail to submit quarterly wage reports in a timely fashion eventually bear the loss via higher experience-rated UI taxes because they forfeit the right to correct the inaccurate information contained in the claimant's wage affidavit.

#### **d. Impact on First Payment Timeliness**

Federal law requires that in order to receive federal UI fund disbursements, state laws must be in compliance with certain federal requirements. One of those requirements relates to the timeliness with which the initial benefit payment is made to a claimant. The federal statute states that the Secretary of Labor “shall make no certification for payment to any state unless he finds that the law of such State ... includes provision for ... full payment of unemployment compensation *when due*....” [Emphasis added] 42 USC §503. The “when due” clause has been interpreted by administrative rule to require “payment of unemployment benefits to eligible

claimants *with the greatest promptness that is administratively feasible.*” [Emphasis added] 20 CFR §640.4.

In addition to examining state laws on their face for compliance, the USDOL has also established actual performance standards with respect to the timeliness of UI benefit payments. A state must make 87% of its initial (or first) payments to claimants within 2 weeks of the end of the week claimed. The state must also make 93% of its initial (or first) payments to claimants within 5 weeks of the end of the week claimed.

ABP claims take more time than regular claims only in the cases where the required lag and/or current quarter wage information is not available on the computer system. Lag quarter wages are not available on the computer systems for a portion of the population. Current quarter wages are never available on the computer system of the state UI agencies. Data from New Jersey from 1996 showed that lag quarter wage information is not available on the state UI agency database for 54% of claimants.

If the required wage information is not available on the computer system, states use one of the systems discussed in the previous subsections: wage records, wage requests, or wage affidavits. First payment timeliness under these systems is discussed below.

Wage records system: As discussed in Section 2.3.a, the pure wage record system might require a long waiting period to determine eligibility and violate the “payment when due” clause of 42 U.S.C. §503 (a) (1).<sup>2</sup> Washington was originally using the wage records system to handle all ABP claims. In its original ABP legislation, Washington expressly relieved its state UI agency of any duty to obtain wage data on ABP claimants where such data were not already available on the agency database. Upon being informed that this provision might render the state out of compliance with federal directives, Washington repealed this particular provision of the

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<sup>2</sup> The “payment when due” clause has been further defined by administrative rule, which states that “[a] state law will satisfy the requirement of section [5]03 (a) (1), if it contains a provision requiring, or which is construed to require, such methods of administration as will reasonably insure the full payment of unemployment benefits to eligible claimants with the greatest promptness that is administratively feasible.” 20 CFR 640.4.

legislation and replaced it with legislation providing for the use of requests for wage information where that information has not yet been reported for a particular claimant at the time of application.

Wage requests system: In a wage requests system, the average first payment time lapse for ABP claims is higher than for regular claims. According to sample data from Washington for 1995 and 1996, the average first payment time lapse for ABP claims was 20% higher than for regular claims. (Washington uses the wage request system in the first four weeks of the quarter).

Under a wage request system, if wage information is not available on the computer system, then the UI agency sends out wage requests. In most states, employers have to respond to the wage requests within 10 days. If an employer does not respond, the UI agency usually tries to contact the employer by telephone to collect some information. Monetary determination can only be made after the relevant information has been obtained. Since this process is time consuming, these claims take longer than claims where information is available on the computer system. However, since these claims constitute only 3-4% of the total eligible claims<sup>3</sup>, they do not have a drastic effect on the overall first payment timeliness. None of the ABP states that were using the wage request system were found to be in violation of the federal first payment timeliness standards.

Wage affidavit system: Under a wage affidavit system, the first payment timeliness for ABP claims is not different from regular claims. Since the claimants sign a wage affidavit if the required wage information is not available, ABP claims do not take longer than regular claims.

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<sup>3</sup> ABP eligibles are 6-8% of all UI eligibles according to "The Alternative Base Period in Unemployment Insurance: Final report," Unemployment Insurance Occasional Paper 95-3, written by Wayne Vroman. 54% of ABP claims result in wage requests according to 1996 data from New Jersey. Please refer to Volume III of this report--"Impact of ABP on Employers" for details.

## 2.4 ONE-TIME COSTS

One-time costs are the costs incurred by states when they modify their UI program administration systems to handle ABP claims. These costs are incurred only when the ABP laws are implemented. In most states, the one-time costs fall into the following categories:

- a. Computer programming changes
- b. Hardware purchases
- c. Training
- d. Changes in literature, forms, etc. and employer/claimant education
- e. Policy formulation and implementation
- f. Extra processing due to reachback provisions
- g. Manual processing during the phase when computer system changes are being implemented

These costs are described below.

### **a. Computer Programming Changes and Computer-Related Purchases**

This is one of the major costs associated with ABP implementation. UI agencies use a computer database system to record all the information related to UI claims and to process most of the transactions related to various claims processing activities.

The changes that are made to the UI software will depend on the existing routines in the software programs and the ABP provisions that are being implemented. Some changes that are typically made to the UI software systems are given below. This list is not exhaustive and the states may have other changes depending on their UI software systems.

#### Programming changes common to the wage request and wage affidavit systems

- *Changes to the module that makes monetary eligibility calculations*

The module that calculates monetary eligibility has to be changed to include the ABP provisions. Without ABP, this module only checks whether or not the claimant meets the qualifying

requirements for wages in the regular base period. With ABP, this module would first check if the claimant meets the qualifying wage requirements in the regular base period. If the claimant does not meet these requirements, the module would check the claimant's eligibility in the alternative base period. (For states having two alternative base periods, if the claim is found monetarily invalid in the first alternative base period, then the module will check eligibility in the second alternative base period.)

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- *Changes to the pseudomonetary (or premonetary) calculations*

During initial claimstaking, when a claimant applies for UI benefits, a pseudomonetary determination is made. This is an informal determination that the claimstaker uses to check if the claimant might be eligible based on the wages present in the database. With the ABP provisions, this pseudomonetary calculation has to check wages in the alternative base periods if the claimant is not eligible in the regular base period using the available wage information.

- *Reprogramming to allow the lag (and current) quarter wages and Employer Information to be entered on the database<sup>4</sup>*

Without the ABP provisions, the UI software may allow only the regular base period wages and employers to be entered. With the ABP provisions, the software has to be changed to allow the wages and employers in the lag (and current) quarter to be entered.

- *Programming to ensure that the lag and current quarter wages are not reused*

If a claimant uses his or her lag or current quarter wages, he or she cannot reuse these wages for the monetary determination in his/her next benefit year. A module needs to ensure this. This module includes routines that allow the UI staff to tag the lag and current quarter wages if they have been used. It also includes routines to ensure that the tagged wages are not reused.

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<sup>4</sup> The UI systems of some states already allow the lag and current quarter wage information to be entered and stored on the database.



- *Changes in screens*

The screens (or conversations ) that the UI staff use for interfacing with the UI databases will need to be changed to include the ABP provisions. These changes may be extensive since they have to be made to all screens that refer to monetary determinations and calculations.

- *Changes in on-line help modules*

The on-line help modules have to be modified to include instructions about the ABP law and the ABP screens (conversations).

- *Changes specific to ABPs that include the current quarter*

If the current quarter is used to determine eligibility, then weekly wages might be needed from the employer. Changes need to be made in the forms and modules that request wages so that weekly wages can be requested. Once the wages in the current quarter have been used, information on the weeks for which wages have been used needs to be stored. This information will be needed if the claimant applies for UI benefits in the next benefit year and his/her wages from the rest of the current quarter are to be used.

#### Programming changes specific to the wage request system

- *Programming for generation of wage and separation information requests for lag and current quarter employees*

In most states, wage and separation information request forms are generated by the UI computer system. With the ABP provisions, programming changes need to be made in the on-line routines to allow the UI staff to request wage and separation information from the lag (and current) quarter employers. Programming changes also need to be made in the batch (off-line) routine that prints the wage and separation information request forms for mailing.<sup>5</sup>

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<sup>5</sup>In the case of Ohio, if lag quarter wages are not available, wage requests are not sent to the employers. Monetary determinations are made on the basis of affidavits taken from claimants. Monetary determinations are corrected when the corresponding wages are obtained through quarterly wage reports. In Washington, wage request forms are completed manually by local UI office staff.

- *Programming to monitor the wage requests*

Programming needs to be done so that the UI staff can monitor the status of the wage requests that have been sent out. This includes a report that contains information on employers who have not responded to the requests in a timely fashion.

#### Programming changes specific to the wage affidavit system

- *Programming to make corrections to monetary determinations*

The wage affidavits of the claimants are often inaccurate and need to be corrected when the employers report the quarterly wages. Two modules need to be developed: a module that cross-checks the quarterly wage reports with the wage affidavits used in the ABP claims and one that makes changes to the monetary determination based on the correct wage information.

- *Programming to adjust benefit amounts and tax rates*

Incorrect monetary determinations based on wage affidavits may have resulted in overpayment or underpayment of benefits and assignment of incorrect tax rates to employers. Modules that adjust the remaining benefit amount and tax rates need to be developed. Modules that create letters to be sent to claimants and employers informing them about the adjustments also need to be developed.

#### **b. Hardware Purchases**

The increase in the volume of monetary determinations and valid monetary claims due to ABP provisions may necessitate the purchase of computer-related equipment such as personal computers, computer terminals, and/or printers. For example, a personal computer and a printer were purchased for each of the local offices in New Jersey when the ABP provisions were implemented.

#### **c. Training**

Training is a major component of the one-time costs. The staff have to be

- trained so they understand the ABP law and its implications,

- trained in the new workflow and procedures resulting from the ABP-related changes,
- introduced to the new and changed forms, and
- trained in using the modified computer system.

Training costs include the time spent by the staff that is being trained and the training personnel. Other components of training costs are transportation and training materials.

#### **d. Changes in Literature and Forms, and Employer/Claimant Education**

Changes have to be made to the UI literature to reflect the ABP law. Examples of such changes are listed below.

- New forms (such as wage request forms, wage affidavit forms)
- New letters to the local offices of the state UI agency
- Mailing to previously rejected claimants informing them of their potential eligibility
- Modifications in the books or guides for employers and claimants that explain the UI laws and processes
- Modifications in the monetary policy guide
- Modifications in the operating manual for UI agency staff

In addition to modifying the employer and claimant books or guides, other methods may be used to educate employers and claimants. Seminars for employer education might be necessary. The content of the benefit rights interview (BRI) also needs to be modified to include the ABP law.

#### **e. Policy Formulation and Implementation**

The UI workflow and the UI computer system will have to be changed to implement ABP. Organizational changes also might have to be made in the UI offices to handle the ABP claims. The top management of the UI agencies may have to spend considerable time planning these changes and managing their implementation.

#### **f. Extra Processing due to Reachback Provisions**

Some states have implemented retroactive ABP provisions that modify the monetary determinations of some claimants who had applied for benefits before ABP became effective. The state UI agency might incur a considerable one-time cost for reprocessing such claims. (The Ohio Bureau of Employment Services and the New Jersey Department of Labor both incurred such a cost.) The volume of claims due to reachback provisions depends on how far back the provisions extend. Since most of these cases have to be handled as exceptions, their average processing time is greater than that for a non-reachback claim.

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If the reachback provision requires the claims to be adjusted back to the date of the original ineligibility finding, a number of steps must be undertaken:

- Mass mailing to all identified claimants to advise them of the alternative base period provisions
- Analysis of claims and wage information for each claimant
- Deletion of all subsequent claims and their findings
- Entry of original ineligible claims with new findings
- Reallocation of payment from the subsequent benefit year to the weeks in the redetermined original benefit year
- Adjustment of payment amount since the weekly benefit amounts may differ between the old and new benefit years. Supplemental payments are made or overpayments are established as appropriate.
- Adjustment to employer charging
- Resolution of subsequent employer inquiries related to quarterly employer charging statements

#### **g. Manual Processing while Computer System Changes are Implemented**

If the computer system changes are not implemented at or before the time that the ABP provisions of the law come into effect, the extra labor hours needed to manually handle the claims until the computer system changes are implemented may become a significant cost item.

For example, when the ABP provisions became effective in Ohio in October 1988, there was no system in place to handle the added processing. Initially, claims personnel delayed processing of all applications that would have been disallowed under the regular base period. It was mid-November before the Ohio Bureau of Employment Services was able to put in place a system to determine claims under the ABP. Manual handling of these claims was a significant cost. (See Section 5.1 for a detailed explanation of Ohio's experience with this issue.)

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## **2.5 ONGOING COSTS**

The ongoing costs are the increase in the everyday costs of UI program administration associated with the ABP laws. Ongoing costs arise from two sources:

- a. Costs associated with increased claims volume due to ABP
- b. Costs of added procedures associated with ABP

### **a. Costs Associated with Increased Volume of Eligible Claims due to ABP**

The ABP criteria result in more claimants becoming monetarily eligible for UI benefits. This leads to an increase in the claims volume for non-monetary determinations, appeals, first payments and continued claims. This in turn results in increased costs of handling UI claims for each of these activities.

### **b. Costs of Added Procedures Associated with ABP**

Some of the benefit activities need to be modified to handle ABP claims. Procedures have to be added to the initial claimstaking and monetary determination activities to determine ABP eligibility. Other activities such as non-monetary determinations, appeals, and continued claims do not usually require any additional procedures.

The modifications needed to the initial claimstaking and monetary determination activities depend on the system that is being used to obtain lag and current quarter wage

information that is not available on the computer system. The additional ABP related activities for the wage request and wage affidavit system are described below.

#### Added procedures in the wage requests system

*The following activities may need to be added to the claimstaking process:*

If a claimant does not qualify for monetary eligibility under the regular base period, the claimstaker determines if information on any lag or current quarter wages is available in the state UI agency database. If it is available on the computer system, the claimstaker questions the claimant to determine if the wage information is complete. If it is complete, then the claimstaker makes a monetary determination using the ABP criterion.

If lag or current quarter information is not available on the computer system, the claimstaker questions the claimant to determine if he or she had any wages in the lag or current quarter. If there were no wages during these periods, then the claimstaker makes a determination using the available wage information.

If the claimant says that he or she had some wages in the lag or current quarter, then the claimstaker inquires if there were employers other than those in the regular base period. If so, the claimstaker obtains information about them from the claimant and enters it on the computer system.

The claimstaker then explains ABP eligibility criteria to the claimant and informs him or her that use of wage credits in the lag or current quarter may affect eligibility with respect to future claims. The claimant then decides whether to pursue the ABP option.

If the claimant does not pursue the ABP option, the claimstaker makes the appropriate entry on the computer system and makes a monetary determination based on the available wage information. If the claimant wishes to pursue the ABP option, the

claimstaker sends wage requests to lag and/or current quarter employers and explains to the claimant that additional information is being requested.

*The following activities may need to be performed to handle replies to wage requests:*

UI personnel sort the responses to wage requests and put them in the appropriate files.

They prioritize the wage requests so that the oldest ABP claims are handled first and check the wage requests for missing information. If no information is missing, they enter the information in the computer system and make a monetary determination using ABP criteria.

If any information is missing, they contact the employer using telephone / facsimile. If they are able to obtain the missing information from the employer, they enter it in the computer system and make a monetary determination using ABP criteria.

In some states, if the information cannot be obtained from employers, the UI personnel call the claimant and schedule him or her to return to the local office for a wage affidavit. They ask the claimant to bring proof of earnings, such as pay stubs.

In the wage affidavit process, the UI personnel fill out an affidavit containing the wage information about the lag and/or current quarter, get it signed by the claimant, enter this information on the database, and make the monetary determination using the ABP criterion.

#### Added procedures in the Wage Affidavits System

Under a wage affidavit system, a wage affidavit process has to be added to the claimstaking process, and a correction process has to be put into place to handle incorrect information in the wage affidavits. These processes are described below.

*The following activities may need to be added to the claimstaking process:*

If the claimant does not qualify for monetary eligibility under the regular base period, the claimstaker determines if any lag or current quarter wages are available on the state UI computer system.

If the lag or current quarter wages are available on the computer system, the claimstaker questions the claimant to determine if the information is complete. If the information on the computer system is complete, the claimstaker makes a monetary determination using the ABP criteria.

If lag or current quarter information is not available on the computer system, the claimstaker questions the claimant to determine if he or she had any wages in the lag or current quarter. If the claimant did not have any wages in the lag or current quarter, then the claimstaker makes a determination using the available wage information.

If the claimant indicates that the lag or current quarter employment information is not on the UI computer system, then the claimant's affidavit is used to obtain this information. The claimant lists lag or current quarter wage and employer information on a wage affidavit form and signs the form. If required by state UI law, the claimant presents pay stubs or other proof of employment to the claimstaker.

*The following activities may need to be added to the corrections process:*

When the state agency receives the quarterly wage report from the employer, the UI personnel examine the list of claimants for whom wage affidavits were used.

If there is a discrepancy between the information in the wage affidavit and the information in the quarterly wage reports, the monetary determinations are amended based on the wage information in the quarterly wage reports. The remaining weekly benefits given to the claimants are adjusted so that the total benefit amount is correct.



If the claimant has already been paid benefits that are more than his or her total corrected benefit amount, then he or she is informed of this and may be asked to refund the amount of the overpayment. Appropriate adjustments may also be made to the employer tax rate.

The above three activities can be automated by making the changes described in Section 2.4.a to the computer system.

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### **c. Costs associated with Interstate and Combined Wage Claims**

#### **Interstate claims**

Interstate wage claims are those in which a claimant has wages in one state (the liable state) but applies for UI benefits in another state (the agent state). In such a case, although the agent state handles the initial claimstaking, the liable state makes the monetary determination. In case of an ABP claim, the liable state is also responsible for obtaining wages from lag and current quarter employers.

Since the monetary determination is handled by the liable state, ABP does not lead to extra processing costs for the agent state.

The modifications that the liable state has to make to its inter-state processes are similar to the modifications to its intra-state processes. The only difference is that since the claimant cannot come to the UI office, the exchange of information takes place by telephone, fax, or mail. In the study conducted in New Jersey, the estimated increase in time in initial claimstaking and monetary determination processes for inter-state claims was not significantly different from the intra-state claims. The increase in the annual ongoing costs due to ABP in New Jersey were estimated to be \$79,876 for inter-state claims. This was 6.3% of the total increase in annual ongoing costs due to ABP (\$1,264,577). New Jersey's costs may be higher than the costs in

### Combined wage claims

Combined wage claims are those in which the claimant has earnings in more than one state. If a claimant is ineligible under the regular base period of the state where he or she filed the claim, then his/her eligibility using the regular base period criteria in other states where he or she had earnings is examined. If the claimant is not monetarily eligible under the regular base period of any of the involved states, then his/her eligibility is examined under the alternative base periods of the involved states (if the involved states have alternative base periods). Although the ABP laws make the processing of combined wage claims more complicated and time-consuming, the volume of combined wage ABP claims is not large enough to significantly increase the costs to the state UI agencies.

### 3. NEW JERSEY ABP EXPERIENCE

#### 3.1 UI LAWS IN NEW JERSEY

The UI laws in New Jersey that are relevant to this study are summarized below.

**Table 3.1: UI Laws in the State of New Jersey**

Qualifying requirements in the base period	20 weeks of work with weekly wages of 20% of SAWW or 20 weeks of work with wages of 20 x state minimum hourly wage, or 12 x SAWW in base period, or 1,000 hours of farm labor.
Weekly benefit amount (WBA)	60% + d.a.
Duration of benefits	26 weeks
Experience rating system <sup>6</sup>	Reserve ratio
Time needed to qualify for rate based on experience	3 years
Distribution of benefit charges	Proportional
Maximum benefit amount	$\frac{3}{4}$ Base period income

Source: *Highlights of State Unemployment Compensation Laws*, January, 1997 issued by the National Foundation for Unemployment Compensation & Workers' Compensation

SAWW: Statewide average weekly wage

AWW: Average weekly wage of employee. It is computed by dividing the total earnings by the number of base period base weeks, i.e.  $AWW = \text{Total earnings} / \# \text{ of base weeks}$

d.a.: Dependency allowance

**Regular base period:** First four of the last five completed calendar quarters immediately preceding the filing of the claim

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**First alternative base period:** Last four completed calendar quarters immediately preceding the filing of the claim. It may be used only if claimant is monetarily ineligible under the regular base period.

**Second alternative base period:** Last three completed calendar quarters immediately weekly preceding the filing of the claim plus weeks in the filing quarter prior to filing of the claim. It may be used only if claimant is monetarily ineligible under the regular base period and the first alternative base period.

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## **3.2 ABP RELATED LEGAL CHANGES IN NEW JERSEY**

### **a. Background and Reasons for Change**

In 1984, the base year period that was used to establish monetary eligibility in New Jersey was the first 52 of the last 53 weeks preceding the date of the claim. At that time, an individual would have had to have earned at least \$30 in each of the 20 base weeks or a total of \$2200 during the base period to qualify for benefits.

In 1984, the New Jersey Unemployment Compensation Law was amended, which ultimately changed the base year to the first four of the last five completed quarters, raised the base week amount to 20% of the statewide average weekly wage (SAWW) (\$126 in 1995) and the alternative earnings amount to 12 times the SAWW (\$7600 in 1995).

The 1984 changes to the base year period made the eligibility process faster and more efficient by enabling the New Jersey Department of Labor (New Jersey DOL) to switch from a wage request to a wage record system. However, the amendments increased the amount of time required before an individual's wages could be used to establish claims eligibility. In addition, while the new base weeks and earnings criteria provided automatic adjustments without additional legislation, they resulted in large increases in the monetary requirements for establishing claims eligibility.

The 1995 amendments that introduced ABP were prompted by concerns that New Jersey's base year period may have been unfair to those individuals recently entering the labor market and that the high base week amount may have excluded low-wage earners. The amendments are described in the next subsection.

#### **b. Overview of the 1995 Amendments**

The 1995 amendments that introduced ABP provided the following schedule of changes to the monetary determination process for claims determined invalid using the regular base year/base week amount.

*Effective July 1, 1995*, an alternative base year (alternative base year #1) that consists of the four most recently completed calendar quarters preceding the date of the claim is established.

*Effective October 1, 1995*, a second alternative base year (alternative base year #2), which is to be used if the claim is still invalid after testing validity using the regular and alternative base year #1 base years, is established. Alternative base year # 2 consists of the three most recently completed calendar quarters preceding the date of claim and weeks in the filing quarter prior to the date of the claim.

*Effective January 1, 1996*, an alternative base week amount that is equal to 20 times the state minimum hourly wage (\$101 in 1996) and an alternative earnings test equal to 1000 times the state minimum hourly wage (\$5100 in 1996) is established.

The above amendments result in fifteen eligibility provisions for unemployment insurance benefits, which are applied in a definitive sequence. Only by failing the prior provisions may a claimant qualify for benefits under a subsequent provision. These fifteen provisions are listed in Appendix I A.

### 3.3 ONE-TIME COSTS IN NEW JERSEY

This subsection describes the information that was collected on the one-time costs of implementing the ABP provisions of the New Jersey UI law. As explained in the previous subsection, in addition to two alternative base years, provisions with an alternative base week amount and an alternative earnings test were also implemented in New Jersey. The administrative costs discussed in this section result from all the changes in New Jersey law pursuant to the provisions of Chapter 234, P.L. 1995 of the New Jersey Unemployment Compensation Law (i.e. all the changes that were described in the previous subsection). **If New Jersey had implemented provisions with only two alternative base years, then the costs of administering these changes would have been lower.**

The New Jersey Department of Labor estimated the one-time costs of implementing ABP to be \$1,391,519. The sub-categories and the corresponding costs are:

**Table 3.2: Estimates of one-time costs in New Jersey**

Category	Costs
Computer programming costs	\$223,500
Training	\$606,504
Computers & printers	\$214,195
Other support personnel	\$347,320
<b>Total</b>	<b>\$1,391,519</b>

Source: New Jersey Department of Labor

#### **a. Computer Programming Costs**

The UI computer system of the New Jersey Department of Labor is known as LOOPS. Changes were made to several on-line and batch conversations of LOOPS to handle the ABP provisions. Some new conversations were also added. The changes were carried out by the Office of Telecommunication and Information Systems (OTIS), which is a part of the New Jersey Department of the Treasury. No outside contractor was used for computer programming.

An estimated 2,320 hours were spent on making the required changes. **The total cost of these changes was estimated to be \$223,500.**

The modified or new conversations and the corresponding number of modules that were changed or created are listed below.

- A200 on-line conversation modifications - 3 modules

A new field "MON CRITERIA," showing the criteria used to calculate the monetary entitlement, was added to the Basic 1 inquiry screen. In addition, a new screen, "Employer Forms," showing the wage request forms was created.

- C200 new on-line conversation for Pre-Monetary using the four most recently completed quarters - 4 modules
- C300 new on-line conversation for Pre-Monetary using the three most recently completed quarters and the current quarter- 4 modules
- C010 on-line conversation modification - 7 modules

Changes were made so that a valid monetary determination is not automatically based on an alternative earnings test. These changes ensure that the fifteen eligibility criteria are tested in the correct order and that the appropriate wage request forms are sent to the employers.

- D010 on-line conversation modifications - 4 modules
- D020 on-line conversation modifications - 5 modules

Changes in the above two conversations ensured that the correct forms were sent to the employers. The monetary determination criterion for UCX and UCFE claims were also modified.

- D050 on-line conversation modifications - 5 modules

Several changes were made to D050 to ensure that ABP provisions were implemented.

- 3 common modules for on-line conversation modifications
- 3 ICON on-line program modules and 7 ICON batch program modules
- 10 modules for new batch programs to produce forms, and management and statistical reports
- 1 module for modifications to existing batch program to produce monthly statistical reports

- A method to track claims that uses wages from the current quarter to ensure that these wages are not used on subsequent claims
- Module(s) for producing the 21-day report that contains information about replies to the wage requests

The tasks for the above modifications were performed in three phases, and are listed below.

#### *Phase 0*

- Problem definition, preparation of time and cost estimates
- Collection and study of existing documentation
- Interviewing users on the problem

#### *Phase I*

- Identification of data elements and relational changes
- Preparation of specifications for system changes
- Review of changes with users
- Revision of screen layouts
- Update of records/segment definitions
- Preparation of conversion plans and specifications
- Coding and compilation of program changes and addition
- Test of modules

#### *Phase II*

- Preparation of system acceptance test plan
- Preparation of system acceptance test files
- Preparation of system acceptance JCL
- Conduction of system acceptance test
- Operations review and acceptance
- Production moves and start-up
- Post-implementation support



## **b. Training**

Training was a major component of the one-time costs in New Jersey. An extensive training program was undertaken to train:

- managers,
- UI technicians,
- senior claims examiners,
- UI clerks,
- appeals examiners,
- referees and members of the Board of Review,
- investigators from Benefit Payment Control Section,
- UI technicians from the Quality Control Office, and
- labor market analysts from the Planning and Research Group.

A combined total of 35,385 hours of training was planned for the staff of the various offices of New Jersey Department of Labor. A total of 308 hours of instructor time was scheduled. Trainee manuals and other training materials were also purchased. **The total training cost was estimated to be \$606,504.**

Appendix I C shows a detailed training plan for implementation of the alternative base year provisions.

## **c. Computers and Printers**

A personal computer and a printer were purchased for each of the 32 field offices. Five controllers were also purchased. These computers purchases were based on the estimated increase in computer time spent in initial claimstaking and monetaries. **The total cost of these purchases was estimated to be \$214,195.**

#### **d. Other Support Personnel**

Other support personnel included a computer operator, a senior technician - m.i.s., an administrative analyst, an auditor, an investigator, four appeals examiners, and a postal clerk. **The total cost of these personnel was estimated to be \$347,320.**

### **3.4 ONGOING COSTS IN NEW JERSEY**

The New Jersey Department of Labor was unable to provide estimates of the ongoing of ABP because there had been no study to estimate the times required for the various UI processes after ABP implementation. Therefore, as part of work reported here, ongoing costs of administering ABP were studied. The ABP procedures were mapped out in detail and the time it takes to complete each process was estimated. These estimates were then combined with the volume of ABP claims and the wages of UI staff to arrive at an estimate of the ongoing costs of administering ABP. The study is briefly described below.

#### **Interviews with Department of Labor Administrators**

The first activity was to interview program administrators responsible for policy formulation and implementation, programming, training, fiscal affairs, and record-keeping. The interviews provided insight into ABP related processes and interactions and links between the processes.

#### **Listing and flowcharting the processes used to handle UI claims**

The processes used to handle UI claims in New Jersey were categorized as follows:

- a. Initial claimstaking
- b. Monetary determinations
- c. Non-monetary determinations

- d. Appeals
- e. Continued claims
- f. Benefits Rights Interview
- g. Eligibility Review Interview

Processes (a) to (e) were further divided into subprocesses. The processes of initial claimstaking and monetary determination were flowcharted. These are the two main processes that are significantly affected by ABP. (The list of processes and flowcharts are provided in Appendices I D and I E respectively).

### **Interviews with local office staff**

Once the processes were identified and categorized, and links established, the next step was to conduct a telephone survey of half of the local offices of the New Jersey Department of Labor to estimate the time spent on ABP claims for the various UI processes. Prior to the telephone interviews, the information requirements, flowcharts and list of UI processes were sent to the local offices. The local office managers and the supervisors of the local office departments were interviewed. Information about the following issues was obtained from them:

- a) The processes used to handle UI claims and the changes in processes due to the alternate provisions

If there were deviations from the lists and the flowcharts that were sent to the local offices, they were discussed and documented.

- b) Estimates of the average time per ABP claim spent on the UI processes and subprocesses

This was the focus of the interviews. For each subprocess in the list, estimates of the average time per ABP claim were obtained. The list of subprocesses was modified if the local office being interviewed handled ABP claims differently. Time estimates of the additional subprocesses (if any) were also obtained.

- c) Estimates of the number of times the subprocesses are performed (as a percentage of initial claims)

All the subprocesses are not performed for all the ABP claims. For example, the subprocess “add missing employers” will only be required for the claimants for whom the list of employers in the UI database is not complete. For each subprocess that might not be performed for all the ABP claims, estimates of the number of times it was performed (as a percentage of initial claims) were obtained.

- d) The processes where the alternative provisions have increased the time spent and the reasons for the increase

Information about the processes where ABP has increased the time spent was obtained. The reasons for the increase were discussed with the local office supervisors, and their comments were noted.

- e) Categories of the UI staff performing the UI processes and their approximate wages

This information was obtained from the local offices. The range of wages for the various categories was also obtained.

During the interviews, emphasis was placed upon collecting information regarding (b) and (c), i.e., estimates of the average time required for the subprocesses and the frequency of the subprocesses. In addition to the issues mentioned above, other related issues such as claimant characteristics were discussed. The suggestions of local office staff on possible improvements to the ABP law and its implementation were also obtained. Volume data for each of the major processes was obtained from the Office of Labor Research and Analysis.

#### Construction of Cost Model

A model to calculate the ongoing costs was constructed in Microsoft Excel. The following steps were used:

a) The mean and median of the sample of the average time estimates for the various subprocesses from the local offices were calculated. It was observed that the mean of the sample was considerably higher than the median, indicating that there might be some high outliers. Thus, the trimmed mean was used to estimate the average time required for the various subprocesses. The formula used to calculate the trimmed mean is given below.

Let  $t_{ij}$  be the estimate of the average time (in minutes) for subprocess  $i$  obtained from the local office  $j$ ; Let  $m$  be the number of local offices surveyed. Then the trimmed mean of the estimates of the average time (in minutes) for the subprocess  $i$ ,

$$\bar{t}_i = \frac{\sum_{j=1}^m t_{ij} - \max_j(t_{ij}) - \min_j(t_{ij})}{m - 2}$$

b) For each subprocess that is not performed for all the ABP claims, the mean of the estimates of the number of times it is performed was calculated. This mean was used as an estimate of the number of times a process is performed (as a percentage of initial claims). The following calculation was used:

Let  $p_{ij}$  be the estimate of the number of times subprocess  $i$  is performed ( as a percentage) obtained from the local office  $j$ ; then the estimate of the number of times subprocess  $i$  is performed is

$$p_i = \frac{\sum_{j=1}^m p_{ij}}{m}$$

c) For each major process, the estimates of the average time of the subprocesses were combined with the number of times the subprocess is performed and totaled to arrive at an estimate of the average time for the process. The following formula was used:

Let process k consist of subprocesses  $a, a+1, \dots, b$ ; then the estimate of the average time per claim for the process k,

$$T_k = \frac{\sum_{i=a}^b (\bar{t}_i \times p_i)}{b - a + 1}$$

d) Let  $v_k$  be the estimate of the number of times that the process k is implemented in a year for ABP claims.  $v_k$  is based on the volume of task elements in 1996. This data was provided by the New Jersey DOL. For second monetary interviews, non-monetary determination, appeals, continued claims, and ERIs, ABP volume was multiplied by 0.61 to account for claimants who would have used the regular base period if ABP provisions were not available. (A study conducted by the Washington Employment Security Department estimated that 39% of claimants who are eligible under ABP would have used the regular base period after the end of the filing quarter if ABP provisions were not available.)

e) The total annual ongoing costs were calculated by combining the estimates of the average time per claim for the processes, the number of times the processes are performed, and the approximate wages of the staff performing the processes.

Let  $C_k$  be the average hourly wage rate of the UI staff person performing process k

Then, the estimate for total annual ongoing cost is

$$C = \sum_{\text{all } k} (T_k \times C_k \times v_k)$$

## Results

**The annual ongoing costs of implementing ABP in New Jersey are estimated to be \$1,264,577.** The main assumption underlying this figure is that the UI personnel would be fully utilized without ABP and any increase in activity due to ABP results in additional costs to New Jersey. In reality, some of the UI personnel may not be fully utilized and some of the increased activities may be performed by the underutilized UI personnel.

The costs would have been lower if New Jersey had implemented a smaller and simpler set of ABP options (as other ABP states have).

Table 3.3 summarizes the results of the New Jersey study. The estimated times for the processes were obtained using the formulae explained earlier. The estimated volumes were obtained by extrapolating the volumes of the first four months of 1996, which are given in Appendix I F.

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**TABLE 3.3: ESTIMATE OF ANNUAL ONGOING COSTS OF ADMINISTERING ABP LAW IN NEW JERSEY**

	Intrastate		Interstate		Approximate hourly wages for the staff performing the process ( $c_k$ ) <sup>3</sup>	Cost <sup>4</sup>
	Estimated incremental time in minutes ( $T_k$ ) <sup>1</sup>	Estimated incremental number processed due to ABP in a year ( $v_k$ ) <sup>2</sup>	Estimated incremental time in minutes ( $T_k$ ) <sup>1</sup>	Estimated incremental number processed due to ABP in a year ( $v_k$ ) <sup>2</sup>		
INITIAL MONETARY INTERVIEW	17.99	28,302	20.50	1,518	\$24.93	\$224,494
HANDLE REPLIES TO WAGE REQUESTS	11.04	61,927	8.00	2,367	\$16.60	\$194,446
SECOND MONETARY INTERVIEW	36.31	14,247	29.73	555	\$32.03	\$284,965
NON-MONETARY DETERMINATION	45.35	8,819	84.00	472	\$22.87	\$167,524
APPEALS (lower)	204.27	1,207	204.27	61	\$27.67	\$119,410
APPEALS (higher)	240.00	149	240.00	8	\$30.63	\$19,281
CONTINUED CLAIMS	2.88	267,793	9.00	11,460	\$13.42	\$195,837
ELIGIBILITY REVIEW INTERVIEWS (ERI)	20	11,312	20	1,792	\$13.42	\$58,619
Estimated annual ongoing costs of implementing ABP law in New Jersey =						<b>\$1,264,577</b>

<sup>1</sup> The time estimates are based on the survey of New Jersey local offices. Formulae used to calculate the time estimates are explained in Section 3.4

<sup>2</sup> The estimates are based on volumes of task elements for the processes in 1996. This information was provided by the Program Analysis and Evaluation Division of the New Jersey Department of Labor. For the activities of second monetary interview, non-monetary determination, appeals, continued claims, and ERIs, the volume was adjusted to account for claimants who would have used delayed filing under the regular base period. See Section 3.4 for details.

<sup>3</sup> The approximate hourly wages are based on information obtained from the New Jersey Department of Labor.

<sup>4</sup> Formulae used to calculate the costs are explained in Section 3.4



## 4. WASHINGTON ABP EXPERIENCE

### 4.1 UI LAWS IN WASHINGTON

The UI laws in Washington (that are relevant to this study) are summarized in the table below.

**Table 4.1: UI laws in Washington**

Qualifying Requirements in the base period	680 hours of work
Weekly benefit amount (WBA):	1/25 2HQ's WBA
Maximum duration of benefits:	30 weeks
Duration of benefits	1/3 x (number of base weeks)
Experience rating system:	Benefit ratio
Time needed to qualify for rate based on experience	2 years
Distribution of benefit charges	Proportional
Maximum benefit amount	1/3 x Base Period Income

Source: *Highlights of State Unemployment Compensation Laws*, January, 1997 issued by the National Foundation for Unemployment Compensation & Workers' Compensation

SAWW: Statewide average weekly wage

AWW: Average weekly wage of employee. It is computed by dividing the total earnings by the number of base period base weeks, i.e.  $AWW = \text{total earnings} / \text{number of base weeks}$

HQ: High Quarter

**Regular Base Period:** First four of the last five completed calendar quarters immediately preceding the filing of the claim.

**Alternative Base Period:** Last four completed calendar quarters immediately preceding the filing of the claim. It may be used only if claimant is monetarily ineligible under the regular base period.

## **4.2 HISTORY OF ABP LAW AND REASONS FOR CHANGE**

The history of the ABP law in Washington and the reasons for changes in the ABP law are given below.

In May 1986, James Duncan filed a class action lawsuit against the Washington Employment Security Department seeking a determination that unemployment benefits in the State of Washington are not paid as promptly as is administratively feasible (U.S. District Court Duncan v. Turner, No.C86-227T). Mr. Duncan had been denied benefits because he did not meet the 680 hour eligibility criterion in the base period consisting of the first four of the last five completed calendar quarters. He would have been eligible for the benefits if the base period had been the last four completed calendar quarters.

In April 1987, the state legislature passed a law (RCW 50.04-020) providing claimants the option of using an alternative base year. According to the law, the Washington Employment Security Department shall initially use the first four of the last five completed calendar quarters as the base year (regular base period). If a benefit year is not established using the first four of the last five calendar quarters as the base year, the department shall use the last four completed calendar quarters as the base year (alternative base period).

The above law further stated that the computations using the last four completed calendar quarters shall be based on available wage items processed as of the close of business on the day preceding the date of application. Wage items not processed at the time of application shall become available to the claim as they are added to department systems.

In June 1987, Mr. Duncan filed a brief to make the department set up wage requests for the lag quarter. He contended that under the new law, unemployment benefits would still not be paid with the greatest promptness administratively feasible. The Washington State Labor Council and the Washington State Building Trade Council filed an amicus brief in support of Mr. Duncan.

In August 1992, the Washington Employment Security Department asked the U.S. Department of Labor to exempt the ABP claims from first pay timeliness requirements.

In October 1992, the US Department of Labor rejected Washington's request for timeliness exemption for ABP. It also found the state to be out of conformity with the "when due" provision of the Social Security Act. It stated that the Washington ABP law did not require the Washington Employment Security Department to take initiative and that Washington was not paying benefits with the greatest promptness that was administratively feasible.

In January 1994, the Washington Employment Security Department requested the State legislature to modify the ABP law to bring Washington into conformity with federal regulations. The part of the law that read

[w]age items not processed at the time of application shall become available to the claim as they are added to department systems. The department shall not be required to make employer contacts or take other actions that would not be applicable to claims based on the first four of the last five completed calendar quarters....

was changed to "[t]he department shall promptly contact employers to request assistance in obtaining wage information for the last completed calendar quarter if it has not been reported at the time of initial application."

#### **4.3 ONE-TIME COSTS IN WASHINGTON**

The Washington Employment Security Department was able to provide the study with one time costs only for making the changes to the computer system. It had no information on

costs relating to training, changes in literature and forms, employer and claimant education, and policy formulation and implementation.

The staff who made the changes to the computer system estimated that it took 500 hours for coding and 1500 hours for deciding computers system policies and procedures, designing forms, communication, and system testing. The loaded hourly rate of the people making these changes is \$32. **Thus, the total resource cost of making the changes to the computer system is \$32/hour x 2000 hours = \$64,000**

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#### **4.4 ONGOING COSTS IN WASHINGTON**

The Washington Employment Security Department was unable to provide estimates of the ongoing costs due to ABP because there had been no study to estimate the times required for the UI processes after ABP implementation. Therefore, we studied the ongoing costs of implementing ABP. Flowcharts for the ABP processes were constructed. The time it takes to complete each process was estimated by either interviewing experts or from previous studies. These estimates were then combined with the volume of ABP claims and the wages of UI staff to arrive at an estimate of the ongoing costs of administering ABP. The results of the study are given below.

##### **ABP Processes in Washington**

Washington is unique in the way it handles ABP since it uses wage requests only in the first four weeks of the quarter. According to the Washington law, the department is required to contact employers to request assistance in obtaining wage information for the lag quarter if it has not been reported at the time of initial application. Thus, the Washington Employment Security Department requests lag quarter wage information from employers only during the first four weeks of the quarter. During the rest of the quarter, the department assumes that employers have already reported the wages and expedites their entry into the computer system for timely monetary determination.

Like other states, in Washington, only the initial claimstaking and monetary determination processes have been changed. Other processes, such as non-monetary determinations, appeals, initial claims, and continued claims do not require any changes. However, these processes have additional ongoing costs due to ABP because of the increased number of monetarily eligible claimants.

The additional steps in the initial claimstaking and monetary determination processes are shown in Figure 1. If the claimant is monetarily ineligible using the regular base period, then an ABP claim is attempted using the wage information on the computer system. If the lag quarter wages are available on the computer system, then a monetary determination is performed. Otherwise, if it is the first four weeks of the quarter, then the Job Service Center (JSC) mails a letter to the employer requesting lag quarter wages. The response to the wage request is voluntary. If the employer wishes to respond, it sends the information to the local district tax office (DTO). The DTO enters the information into the computer system. If the lag quarter wages are not available on the system and the claim is not filed during the first four weeks of the quarter, then the JSC keys the employer account number into a special ABP screen. The entries into this screen are generated in a report generated in the central office. The central office finds the employers' tax reports and keys them into the computer system. Priority is given to the keying of these employer reports. The JSC performs valid monetary determination using the lag quarter information entered by the DTO (from wage request) or the Central Office.

### Cost Calculations and Results

The ongoing costs were calculated in two areas:

- ongoing costs due to additional process steps
- ongoing costs due to increase number of monetarily eligible claimants

### *Ongoing costs due to additional process steps*

Steps needed to be added to the initial claimstaking and monetary determination processes. These were described briefly in the previous subsection. Figure 4.1 contains the flowcharts of the processes added due to ABP. The estimated annual volume of each activity and the time for each activity are also given. Based on 1995 data, 53,886 claimants were found monetarily ineligible for claims under the regular base period. Thus, monetary eligibility using the ABP criterion was attempted for these claimants. Based on New Jersey data, last quarter wage information is available for 46% of the claimants. Thus, a valid monetary determination based on ABP can be set up for 46% (annual volume: 24,788) of the claimants. For the remaining 56% claimants, wage requests were sent to employers in the first four weeks of the quarter (annual volume: 17,244). JSC entered the employer account number into the computer for an estimated annual volume of 14,959 claimants. Table 4.2 contains the calculation of the ongoing costs in initial claimstaking and monetary determinations. The annual cost of each added activity is calculated by multiplying the annual volume of the activity, the time to process one unit of the activity, and the loaded wage rate of the person performing the activity. The total estimated annual cost of added activities due to ABP is \$170,039.

**Figure 4.1: Process diagrams to calculate ongoing costs due to ABP in the initial claimstaking and monetary determination processes in Washington**

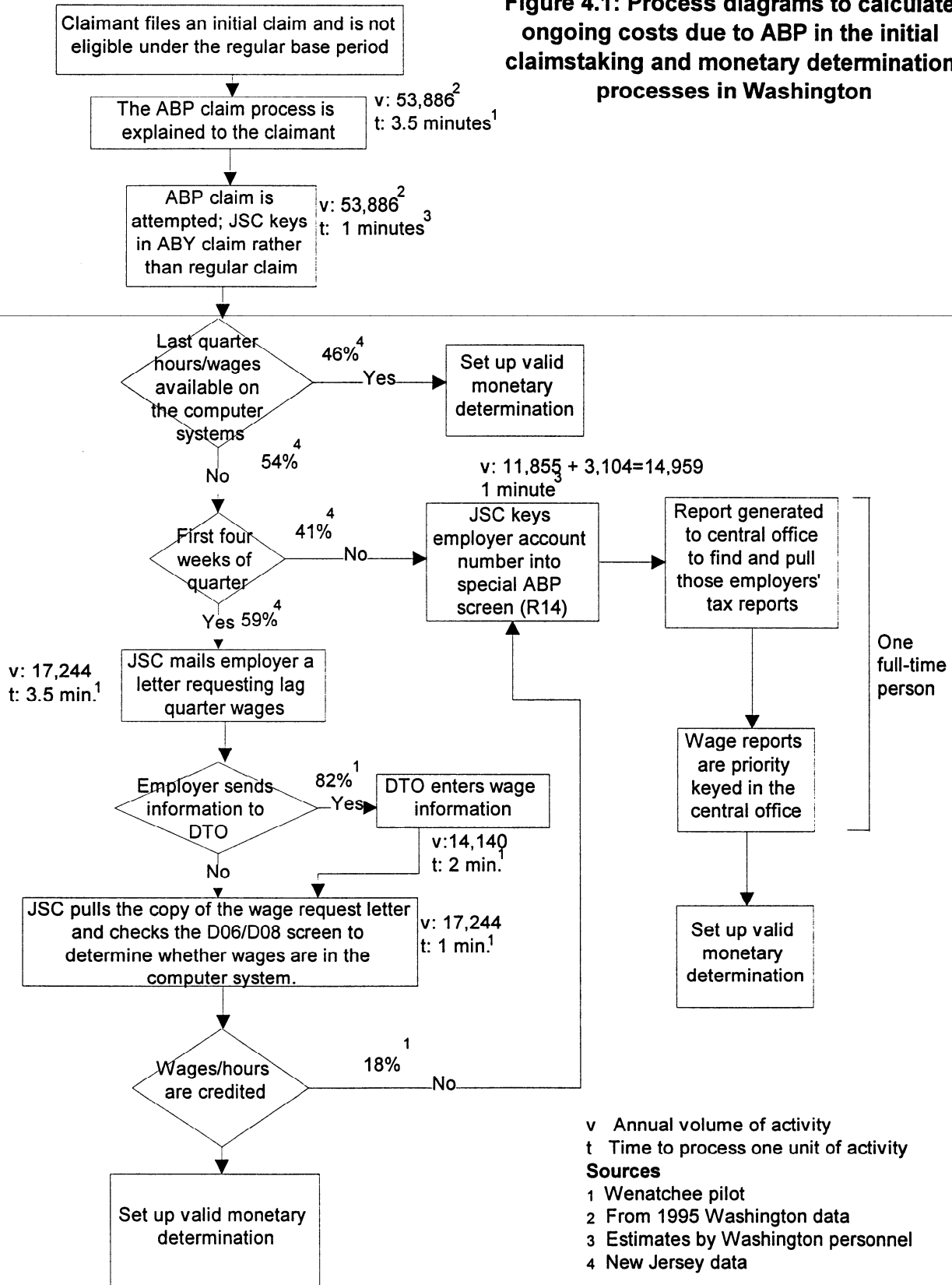


Table 4.2 Ongoing Costs in Washington due to Additional Activities					
	Estimate of average time to process one unit of activity (minutes)	Annual volume of activity	Loaded hourly wage rate of person performing activity	Annual cost of activity	
The ABP claim process is explained to the claimant	3.5	53,886	\$ 23.04	\$ 72,423	
ABP claim is attempted; JSC keys in ABP claim rather than regular claim	1	53,886	\$ 23.04	\$ 20,692	
JSC mails employer a letter requesting lag quarter wages	3.5	17,244	\$ 23.04	\$ 23,175	
JSC pulls the copy of the wage request letter and checks the D06/D08 screen to determine whether wages are in the computer system.	1	17,244	\$ 23.04	\$ 6,622	
JSC keys employer account number into special ABY screen (R14)	1	14,959	\$ 23.04	\$ 5,744	
DTO enters wage information	2	14,140	\$ 25.40	\$ 11,972	
Report generated to central office to find and pull those employers' tax reports. Wage reports are priority keyed in the central office	One full time person		\$ 16.56	\$ 29,411	
Total				\$ 170,039	

Table 4.3 Ongoing Costs in Washington due to Increased Volume					
	Time to process one unit of activity (minutes)	Annual volume of activity (due to ABP)	Loaded hourly wage rate of person performing activity	Annual cost of activity	
Non-monetary determinations	30.5	7,515	\$ 24.77	\$ 94,616	
First payments and continued claims	1.25	128,220	\$ 23.04	\$ 61,545	
Total				\$ 358,136	
Cost per activity		Annual volume of activity (due to ABP)	Annual cost of activity		
\$186		1,086	\$ 201,975		
Total				\$ 358,136	

TOTAL ESTIMATED ANNUAL ONGOING COST IN WASHINGTON \$ 528,175

The sources of the above figures and the method used to arrive at the above figures are explained in Section 4.4



*Ongoing costs due to increased number of monetarily eligible claimants*

Since the number of monetarily eligible claimants increases due to ABP, the number of non-monetary determinations, appeals, first payments, and continued claims also increases. Table 4.3 contains the calculations of the costs of the additional volume of these activities. The time to process these activities is based on interviews of UI personnel in Washington.

The annual volume figures are based on the following assumptions:

- 6% of the total non-monetary determinations, appeals, and first payments are due to ABP (based on the information that 6% of eligible claimants in Washington from April 1987 to December 1996 used the ABP option).
- 39% of the claimants eligible under the ABP criterion would have used the regular base period after the end of the filing quarter if ABP provisions were not available (based on a study done by the Washington Employment Security Department).
- ABP eligibles in Washington claim UI benefits for an average of 14.8 weeks (based on the data about ABP eligibles in Washington from April 1987 to December 1996 ).

The loaded hourly wage rates of the personnel performing the activity were provided by the Washington Employment Security Department. The annual cost of each activity was calculated by multiplying the time to process one unit of each activity, the incremental annual volume of each activity due to ABP, and the loaded wage rate of the person performing the activity. The total estimated annual cost of the increased volume of appeals, non-monetary determinations, first payments, and continued claims due to ABP is \$358,136.

**Thus, the total increase in the annual ongoing administrative costs due to ABP in Washington is estimated to be \$528,175.** The main assumption underlying this figure is that the UI personnel would be fully utilized without ABP and any increase in activity due to ABP results in additional costs to Washington. In reality, some of the UI personnel may not be fully utilized and some of the increased activities may be performed by the underutilized UI personnel.

## 5. INFORMATION COLLECTED FROM OTHER STATES

### 5.1 COSTS IN OHIO

#### a. UI laws in Ohio

The UI laws in Ohio that are relevant to this study are summarized below.

**Table 5.1: UI Laws in Ohio**

Qualifying requirements in the base period	20 qualifying weeks in base period with AWW of 27.5% of SAWW
Weekly benefit amount (WBA):	50% + d.a.
Maximum duration of benefits:	26 weeks
Duration of benefits	20 + 1 qualifying week over 20
Experience rating system:	Reserve Ratio
Time needed to qualify for rate based on experience	16 months
Distribution of benefit charges	Proportional
Maximum benefit amount	$\frac{1}{2}$ x base period income

Source: *Highlights of State Unemployment Compensation Laws*, January, 1997 issued by the National Foundation for Unemployment Compensation & Workers' Compensation

SAWW: Statewide average weekly wage

AWW: Average weekly wage of employee

d.a.: Dependency allowance

**Regular Base Period:** First four of the last five completed calendar quarters immediately preceding the filing of the claim.

**Alternative Base Period:** Last four completed calendar quarters immediately preceding filing of the claim. It may be used only if claimant is monetarily ineligible under the regular base period.

**b. The Ohio ABP Law and Reasons for Implementing ABP**

The Deficit Reduction Act of 1984 caused a conversion from a wage request to a wage record system. This led to a change in the regular base period from the last 52 weeks to the first four of the last five completed calendar quarters. This raised the concern that certain groups of workers would not qualify for benefits because they would not be able to use their recent wages for eligibility determination. Workers in industries having a cyclical nature of operation (especially the construction industry) were estimated to be most affected. The Ohio Council of Building and Construction Trade (OCBC) and the Ohio Bureau of Employment Security (OBES) discussed possible alternative base periods. The alternative base period consisting of the last 52 weeks was considered and compared to the alternative base period consisting of the last four completed quarters. There was not much difference in the weekly benefit amount for these two alternatives. The alternative base period consisting of the last 52 weeks required the system to handle weekly data, and it was very costly to make this change. Thus, it was decided that the alternative base period would consist of the last four completed calendar quarters. The legislation amending the law to include this alternative base period was signed into law on October 15, 1988.

The ABP in Ohio consists of the last four completed calendar quarters preceding the application date and may be used whenever a claimant has insufficient weeks or wages to establish a valid claim using the regular base period.

The Ohio BES has a pure wage reporting system, i.e., no wage requests are made. If an applicant does not have sufficient qualifying weeks and wages in the regular base period, and information regarding the lag quarter is not available on the database, the determination of eligibility for benefits is based on the claimant's affidavit regarding his or her wages in the lag

quarter. According to Ohio's ABP statute, amendments to that determination will be made when the quarterly report of wage information from the employer is timely received and that information causes a change in the determination.

**c. One-time Costs in Ohio**

Ohio is the only ABP state that uses a wage affidavit system if the lag quarter wages are not available on the computer system. Thus, the costs of implementing ABP in Ohio are different from other ABP states.

The one-time costs were incurred in the areas of programming of the agency computer, policy formulation and implementation, staff training, employer/claimant education and processing time for applications when lag quarter information is needed.

OBES was unable to provide cost information on most of these areas. They did, however, provide information on the one-time cost of manually processing applications when lag quarter information is needed. That information is described below.

One-time cost of additional labor hours needed until system changes were implemented

When the ABP provisions were added to Ohio law in October 1988, there was no system in place to handle the additional processing. Initially, claims personnel delayed the processing of all applications which would have been disallowed under the regular base period. It was mid-November before OBES was able to put in place a system to determine claims under the ABP. When the system was implemented, claims personnel had to rework the applications being held and determine eligibility under the ABP. Often this meant calling applicants back into the office to gather additional information.

Effective November 18, 1988, manual ABP procedures were in place. The procedures required additional manual work on all initial claims and two separate days of processing.

Beginning April 1, 1989 an automated pre-monetary system was implemented so that much of the ABP manual processing could be eliminated and the determination process could be accomplished in overnight processing. Under the ABP manual processing that was in place before April 1 1989, it was not immediately known if an application could be allowed using the regular base period. A determination was made overnight and if the applicant had insufficient weeks or wages in the regular base period, the ABP determination was processed the next day. Because it was not known at the time of application which individuals would be using the ABP, every applicant was required to submit ABP information, adding 14 minutes to each new claim. Since 1989, because of the implementation of the automated pre-monetary system, ABP claimants are identified at the time of the application, eliminating unnecessary affidavits and permitting overnight processing. The additional minutes per unit (MPU) for initial claimstaking caused by the ABP is estimated to have been reduced from 14 minutes to 2 minutes.

Thus the extra 12 minutes per initial claim contributed to the one-time costs. **OBES estimated that 48.85 person equivalents (PEs) would be needed for the implementation period of 10/1/88 through 4/1/89, resulting in a one-time cost of \$ 563,212.01.** (Details of the process used from 10/1/88 through 4/1/89 and the calculations used to arrive at this cost figure are given in Appendix II)

**d. Information provided by OBES regarding ongoing costs**

Since Ohio uses the wage affidavit system, the process used to handle ABP claims in Ohio is different from that used by other states that have ABP. Under provisions of the Ohio law, if information about the weeks and wages for the most recent quarter of the alternative base period is not available in the UI database (which contains the regular quarterly wage information), the claims administrator bases the determination of monetary eligibility on the affidavit of the claimant. The claimant must furnish payroll information, where available, in support of the benefit. The determination is amended when the quarterly report of wage information from the employer is received (on time) and if the information contained there is different from the information in the affidavit. Any benefits paid to the claimant and charged to

the employer's account, based on the claimant's affidavit, are adjusted effective as of the beginning of the claimant's benefit year.

OBES does not use wage requests to obtain wage information. Thus, its ongoing costs are different from other ABP states. The two main UI processes in Ohio that have been affected by ABP are *initial claimstaking* and *corrections*.

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### Initial Claimstaking

The process used to handle initial claimstaking after ABP was implemented and the automated pre-monetary calculation was established is described below.

Claimants do not list lag quarter weeks and wages on the applications. At the time a claimstaker reviews wage record information for the regular base period, a pre-monetary computation is requested from the computer system. If this computation indicates that regular base period information is insufficient to make the claimant eligible, and the claimant cannot provide information on additional employment, the alternative base period is then pursued.

A wage record inquiry is then made for the alternative base period from the system. If there is wage record information listed for the lag quarter, the information can be updated. The claimstaker has the option of requesting a pre-monetary computation at this time. The monetary computation processed overnight will use ABP information.

If a review of the lag quarter data indicates that all of the lag quarter employers' wage record reports are not yet on the system, an affidavit is taken from the claimant. If the claimant's statement cannot be entered on the system the same day as the application (e.g., claimant did not provide proper proof of employment for the lag quarter, or other wage information must be added in overnight processing), local office staff must put a hold on the claim so that the additional data can be entered the next day.

If the local office does not pursue the alternative base period at the time of application and overnight processing indicates a claim is not valid using the regular base period, the system will still flag the claim, indicating that the ABP should be checked. A hard copy report is generated to local offices for these claims. At this time the claimant may need to be contacted for an affidavit of lag quarter employment if there is no lag quarter data on the wage record system or if the data is incomplete. The wage information is adjusted on the system by local office personnel to reflect the ABP.

All alternative base period files are annotated with “ABP” on the cover and maintained in separate file systems. Local offices also maintain hard copies for any redeterminations made by the central office when timely employer wage reports are submitted.

**OBES estimated that the additional time required for initial claimstaking due to ABP is 2 minutes per claim after 4/1/89. This results in approximately 8 additional person equivalents needed for additional ongoing initial claimstaking processing. The annual ongoing cost for initial claimstaking due to ABP is thereby estimated to be \$185,860.** (Details of the calculations used to arrive at this cost figure are given in Appendix II A.)

### Corrections

Corrections are made when the quarterly wage reports from the employers are received (on time) and the information causes a change in the claims determination. Any benefits paid to the claimant and charged to the employer’s account, based on the claimant’s affidavit, are adjusted to be effective as of the beginning of the claimant’s benefit year. The process used to handle the corrections process after ABP was implemented is described below.

Wages are updated and entered on the wage record system every day. A crossmatch is performed with the benefit system for each employee reported in order to identify previously established claims. The updated employer data, together with identified claim benefit-year ending dates, are listed on a hard-copy report. The wage record system is programmed to read

alternative base period (ABP) indicators on the benefit system. A separate report is generated to identify claims initially processed under ABP provisions, disaggregated by local offices.

Staff manually review all entries in this report in conjunction with a review of each claim monetary identified and ascertain if the new wage information requires a monetary correction. Because most ABP claims for lag quarter wages are established using claimant affidavits, there is a high occurrence of monetary corrections as employer reports are posted on the system.

The receipt date of the employer wage record report determines if a correction will be made. Only timely reports are used for corrections. Approximately 90% of the wage affidavits do not match with the quarterly wages reported and need corrections. Many changes may not affect the weekly benefit amount or total benefits payable but may affect employer liability by altering the weekly proportion charge.

If an overpayment is made due to an incorrect wage affidavit, system entries are made to post the overpayment. A determination is issued to the individual informing them of the overpayment and giving instructions on repayment. Claimants can repay the amount or the amount can be withheld from future benefits claimed. Monthly billing notices are also mailed to the claimant giving the current balance due.

**OBES estimated that the time required for correction is 14 minutes per claim per correction. This results in approximately 6 additional permanent person equivalents needed for corrections. This results in an annual ongoing cost of \$142,711 for corrections due to ABP. (Details of the calculations used to arrive at this cost figure are given in Appendix II A.)**



## 5.2 COSTS IN MAINE

### UI Laws in Maine

The UI laws in Maine that are relevant to this study are summarized below.

**Table 5.2: UI Laws in Maine**

Qualifying Requirements in the base period	2 x annual AWW in each of 2 quarters
Weekly Benefit Amount (WBA):	1/22 + d.a.
Maximum Duration of Benefits	26 weeks
Duration of Benefits	1/3 x (number of base weeks)
Experience Rating System	Reserve Ratio
Time needed to qualify for rate based on experience	2 years
Distribution of Benefit Charges	Most recent
Maximum Benefit Amount	1/3 of Base Period Income

Source: *Highlights of State Unemployment Compensation Laws*, January, 1997 issued by the National Foundation for Unemployment Compensation & Workers' Compensation

SAWW: Statewide average weekly wage

AWW: Average weekly wage of employee

d.a.: Dependency allowance

**Regular Base Period:** First four of the last five completed calendar quarters immediately preceding the filing of the claim.

**Alternative Base Period:** Last four completed calendar quarters immediately preceding the filing of the claim. It may be used whenever a claimant has insufficient weeks or wages to establish a valid claim under the regular base period.

## **One-time Costs in Maine**

The Maine Department of Labor had not tracked the one-time costs of implementing ABP. Only information about programming changes and training was provided.

### Programming costs to make changes in UI administration software

The Maine Department of Labor had not maintained records on programming time for implementing ABP. The person responsible for making the programming changes estimated that 120 hours were spent on writing code and another 60 hours were spent on conference with benefits staff. Details of the changes made to the computer system were not provided by the Maine Department of Labor.

### Training Costs

The following training was performed:

- a 1/2 day training session for 90 people (This is a part of an annual seminar)
- a 1/2 day session at each of the 15 local offices

## 5.3 INFORMATION FROM VERMONT

### a. UI Laws in Vermont

The UI laws in Maine that are relevant to this study are summarized below.

**Table 5.3: UI Laws In Vermont**

Qualifying requirements in the base period	\$1,163 in a quarter and additional BP wages of at least 40% of high quarter wages
Weekly benefit amount (WBA)	1/45 2HQ's WBA
Duration of benefits	26 weeks
Experience rating system	Benefit ratio
Time needed to qualify for rate based on experience	1 year
Distribution of benefit charges	Proportional
Maximum benefit amount	Base period income

Source: *Highlights of State Unemployment Compensation Laws*, January, 1997 issued by the National Foundation for Unemployment Compensation & Workers' Compensation

SAWW: Statewide average weekly wage

AWW: Average weekly wage of employee

HQ: High Quarter

**Regular Base Period:** First four of the last five completed calendar quarters immediately preceding the filing of the claim.

**First Alternative Base Period:** Last four completed calendar quarters immediately preceding the filing of the claim. It may be used only if claimant is monetarily ineligible under the regular base period.

**Second Alternative Base Period** : Last three completed calendar quarters plus all days in the current quarter prior to the effective date of the claim. It may be used only if claimant is monetarily ineligible under the regular base period wages and the first alternative base period.

### **Reason for implementing ABP**

In 1988, Vermont converted from a wage request to a wage records system to handle wage information required for all UI claims. The base period was the last 52 weeks when Vermont was using the wage request system. On converting to the wage records system, the base period was changed to first four of the last five completed quarters. However, having the base period consisting of the first four of the last five completed calendar quarters would have resulted in denial of benefits to claimants who would have been eligible under the 52 week base period. Thus, two alternative base periods were included in the ABP law.

### **Costs in Vermont**

Since Vermont converted from a wage request to a wage records system to handle wages information required for all UI claims, they had to radically modify their computer system. The changes due to ABP were a small part of the redesign of the whole system. The total cost of the redesign of the system had been around \$1.3 to \$1.5 million. Vermont Department of Employment and Training officials said that costs of changes required for implementing ABP were only a small portion of the total cost; however, they were unable to provide any estimates.

## 6. SUMMARY

The estimated costs of implementing and administering the ABP option are based on the data from UI agencies in Vermont, Maine, Ohio, New Jersey, and Washington, and interviews with UI staff in these states. While only limited data were available, there was enough information to obtain estimates that can guide national policy makers and state UI agencies.

ABP costs will vary from state to state, depending on UI requirements, the type of industries in the state, the makeup of the labor force, and the ABP laws themselves. Costs to state UI agencies can be divided into one-time implementation costs and ongoing administrative costs.

The largest one-time costs are the programming costs for modifying UI computer systems and for training personnel. Changes in literature and forms, employer/claimant education, hardware purchases, and policy formulation and implementation are also one-time costs.

Programming costs will depend on the type of the computer system being used by the state; systems that are more adaptable will have lower costs. In the states studied for costs, they ranged from \$64,000 to \$223, 500. These costs are likely to be lower if UI agency personnel familiar with the state computer system make the changes than if outside contractors are used.

The increase in ongoing administrative UI costs arises from the increased number of eligible claims and the additional procedures required for ABP. Since more claimants become monetarily eligible for UI benefits under ABP, the volume of claims for nonmonetary determinations, appeals, first payments, and continued claims will increase. This will increase the costs of handling UI claims in each of these activities. Some benefit activities also need to be modified to handle ABP claims. The initial claimstaking and monetary determination activities

require additional steps and procedures, increasing the processing cost for claims monetarily ineligible under the regular base period.

Heavily populated states that have a large number of ABP claims will incur greater administrative costs for handling these claims. The ABP provisions themselves will also affect ongoing ABP costs. For example, an ABP that includes the current quarter will have higher administrative and programming costs than an ABP consisting of the last four completed calendar quarters.

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The costs will also depend on the system used to obtain lag or current quarter wage information when it is not available on the computer system. Although relying on a wage records system for all ABP claims leads to minimal ABP costs, it may lead to violation of the “payment when due” clause of 42 U.S.C. §503 (a) (1). The wage request system is most commonly used by ABP states to obtain unavailable lag or current quarter wage information. The wage affidavit system avoids the wage request process but leads to a higher frequency of corrections because of inaccurate information in wage affidavits.

Many ABP costs can be avoided or reduced through proper planning. Examples are the extra processing required because of reachback provisions in the ABP law, and manual processing while the computer system is being changed. Volume VI of this report, *Handbook for Implementing ABP*, contains lessons learned from ABP states on how to efficiently implement and administer this UI option.

### **Costs in States Studied**

In New Jersey, the one-time ABP implementation cost was estimated to be \$1,391,519. This included the cost of programming changes to the computer system, which was estimated to be \$223,500. The New Jersey Department of Labor could not provide estimates of the ongoing costs. New Jersey DOL program administrators and local office personnel were interviewed to obtain cost and time data on UI processes after the implementation of ABP. Based on this

information, the annual ongoing cost of administering ABP in New Jersey was estimated to be \$1,264,577. However, New Jersey's costs may be higher than those in other states because it implemented a complicated and extensive set of eligibility options.

In Washington, the one-time cost of programming changes to the computer system was estimated to be \$64,000. The Washington Department of Employment Security was unable to provide information that could be used estimate other one-time costs. The ongoing cost was estimated through interviews with state UI personnel and the process time and cost data they provided. The annual ongoing cost of administering ABP in Washington is estimated to be \$528,175.

The costs in Ohio are different from those of the other ABP states because Ohio uses a wage affidavit system to handle ABP claims. The Ohio Bureau of Employment Services projected the annual ongoing cost of ABP to be \$328,571.

**APPENDIX I A**  
**UI ELIGIBILITY CRITERIA IN NEW JERSEY**

NO.	DESCRIPTION	BEGINNING
0	No Monetary Claim/Invalid	7/1/95
1	Base Year Regular Regular base week amount	7/1/95
2	Base Year Regular Alternative base week amount	1/1/96
3	Base Year Regular 1st Alternative earnings amount	7/1/95
4	Base Year Regular 2nd Alternative earnings amount	1/1/96
5	Base Year Regular 770 hours agricultural worker	7/1/95
6	Base Year Lag Regular base week amount	7/1/95
7	Base Year Lag Alternative base week amount	1/1/96
8	Base Year Lag 1st Alternate earnings amount	7/1/95
9	Base Year Lag 2nd Alternate earnings amount	1/1/96
10	Base Year Lag 770 hours agricultural worker	7/1/95
11	Base Year Current Regular base week amount	10/1/95
12	Base Year Current Alternative base week amount	1/1/95
13	Base Year Current 1st Alternative earnings amount	10/1/95
14	Base Year Current 2nd Alternate earnings amount	1/1/95
15	Base Year Current 770 hours agricultural worker	10/1/95



## **APPENDIX I B**

### **FORM CHANGES IN NEW JERSEY DUE TO ABP**

Form BC-2WR.1, "Request for Wage and Separation Information," will ask for wage information for up to six quarters and will require a weekly breakdown in all cases.

Form BC-2WR.2, "Request for Wage and Separation Information," will request wage information in up to six quarters and will require a quarterly breakdown.

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Form BC-2WR will still be used to obtain wage and separation information when the claim is determined valid under regular criteria. LOOPS will automatically generate the appropriate version of the form.

Forms BC-22, IB-25.2, and IB-25V, "Claimant's Affidavit of Employment and Wages," will request employment history for the regular and appropriate alternative quarters, and will ask for two base week amounts.

Form BC-2AG, "Request for Supplementary Wage Information-Agriculture Worker," will request wages and hours for up to six quarters.

Form BC-2/3 Q, "Notice to Employer of Monetary Determination," will notify a regular base year employer of an invalid claim under the regular base year and at the same time request wage information for six quarters.

Form BC-2/3W, "Notice to Employer of Monetary Determination," will notify a regular base year employer of an invalid claim under the regular base year and at the same time request weekly wage information for six quarters.

Forms BC-3C, "Notice to Claimant of Benefit Determination," and BC-3E, "Notice to Employer of Potential Liability," will show the weeks and wages in all quarters that are used to established monetary eligibility.

Forms ES-931, "Request for Wage and Separation Information - UCFE," will ask for base week totals using both regular and alternative base week amounts.

Form ES-935, "Claimant's Affidavit of Federal Service Wages & Reason for Separation," will ask for base week totals using both regular and alternative base week amounts.

Form BC-5, "Notice of Invalid Claim," will be revised to eliminate the definition of "base year period" so that it will apply to all possible base year periods under the new law.

## APPENDIX I C

### TRAINING PLAN FOR IMPLEMENTATION OF ALTERNATIVE BASE YEAR IN NEW JERSEY

GRAND TOTAL - 35,385 HOURS

FOR JULY LAW CHANGE      1785 DAYS X 7 HOURS = 12,495 HOURS

<u>DATE:</u>	<u>AUDIENCE</u>	<u>CONTENT</u>	<u>LOCATION</u>	<u>NUMBERS</u>	<u>DAYS</u>
June 19	<u>Technicians</u> UI Technician I - 15	Train the trainer	Trenton	15	15
June 20	<u>Managers and Technicians</u> Managers - 40 UI Technician I - 15	Overview of law, procedure and system	Trenton	55	55
By June 30	<u>Experts</u> <u>3 per LO - 108</u> 36 Sr. Claims Exam 72 Sr. UI Clerks	Same as June 20 plus refresher & computer	1 - varied 2 - Forrestal	150	300
<u>Adj. Unit - 6</u> 1 UI Tech I 1 UI Tech II 4 UI Tech III					
<u>4F Disability - 20</u> 5 Sr. Claims Exam. 15 Sr. UI Clerks					
<u>CWC Unit - 6</u> 1 Sr. Claims Exam. 5 Sr. UI Clerks					

<u>DATE:</u>	<u>AUDIENCE</u>	<u>CONTENT</u>	<u>LOCATION</u>	<u>NUMBERS</u>	<u>DAYS</u>
After June 30	<u>Central Office - 10</u> 10 UI Tech I				
	<u>Remaining Staff</u>	Same as June 20	Various	1415	1415
	<u>Local Office - 1300</u> UI Clerks Sr. UI Clerk Claims Examiners Sr. Claims Examiners				
	<u>Appeal Tribunal - 60</u> 40 Appeal Exam I 20 UI Clerks				
	<u>Board of Review - 10</u> 7 Referees 3 Members				
	<u>Benefit Payment Control - 20</u> 15 Investigator II 3 Investigator I 2 Supervising Investigator				
	<u>Quality Control - 15</u> 1 Supervising UI Tech 2 UI Tech I 12 UI Tech II				
	<u>Planning &amp; Research - 10</u> 1 Supervising Labor Market Analyst 2 Labor Market Analyst I 8 Labor Market Analyst II				
	<u>FOR OCTOBER LAW CHANGE</u> By 9/30 All Staff	1635 DAYS X 7 HOURS = 11,445 HOURS Overview of law procedure & system	Various	1635	1635

DATE:                      AUDIENCE                      CONTENT                      LOCATION                      NUMBERS                      DAYS

FOR JANUARY LAW CHANGE

By 12/31 All Staff

1625 DAYS X 7 HOURS = 11,445 HOURS

Overview of law  
procedure & system

1635                      1635

**TECHNICAL RESOURCES UNIT**  
**GRAND TOTAL - 3,192 HOURS**

FOR JULY LAW CHANGE

1 Supervising Technician  
8 UI Technicians I

174 DAYS X 7 HOURS = 1218 HOURS

6 days = 42 hours  
168 days = 1176 hours

FOR OCTOBER LAW CHANGE

1 Supervising Technician  
8 UI Technician I

108 DAYS X 7 HOURS = 756 HOURS

6 days = 42 hours  
102 days = 714 hours

FOR JANUARY LAW CHANGE

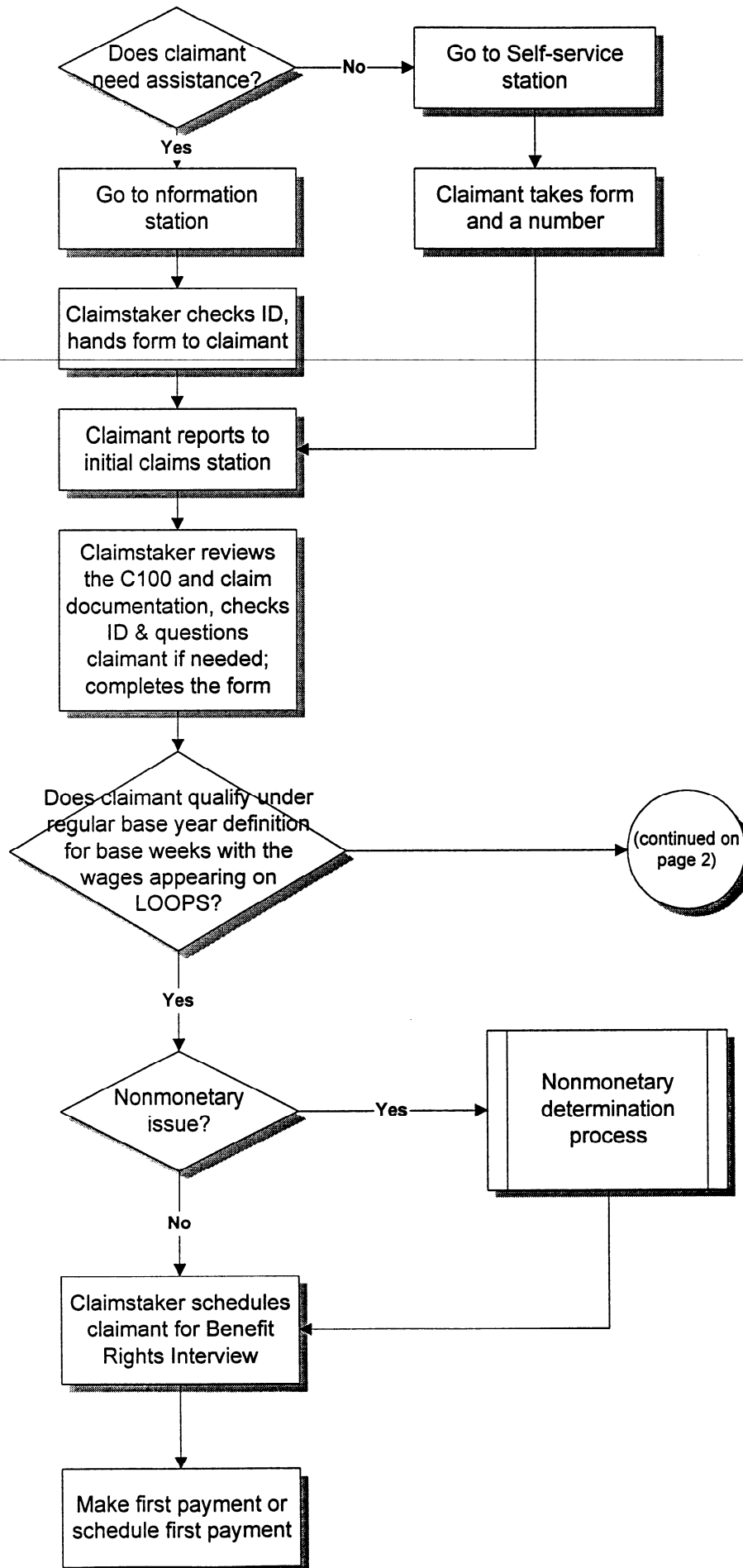
1 Supervising Technician  
8 UI Technician I

174 DAYS X 7HOURS = 1218 HOURS

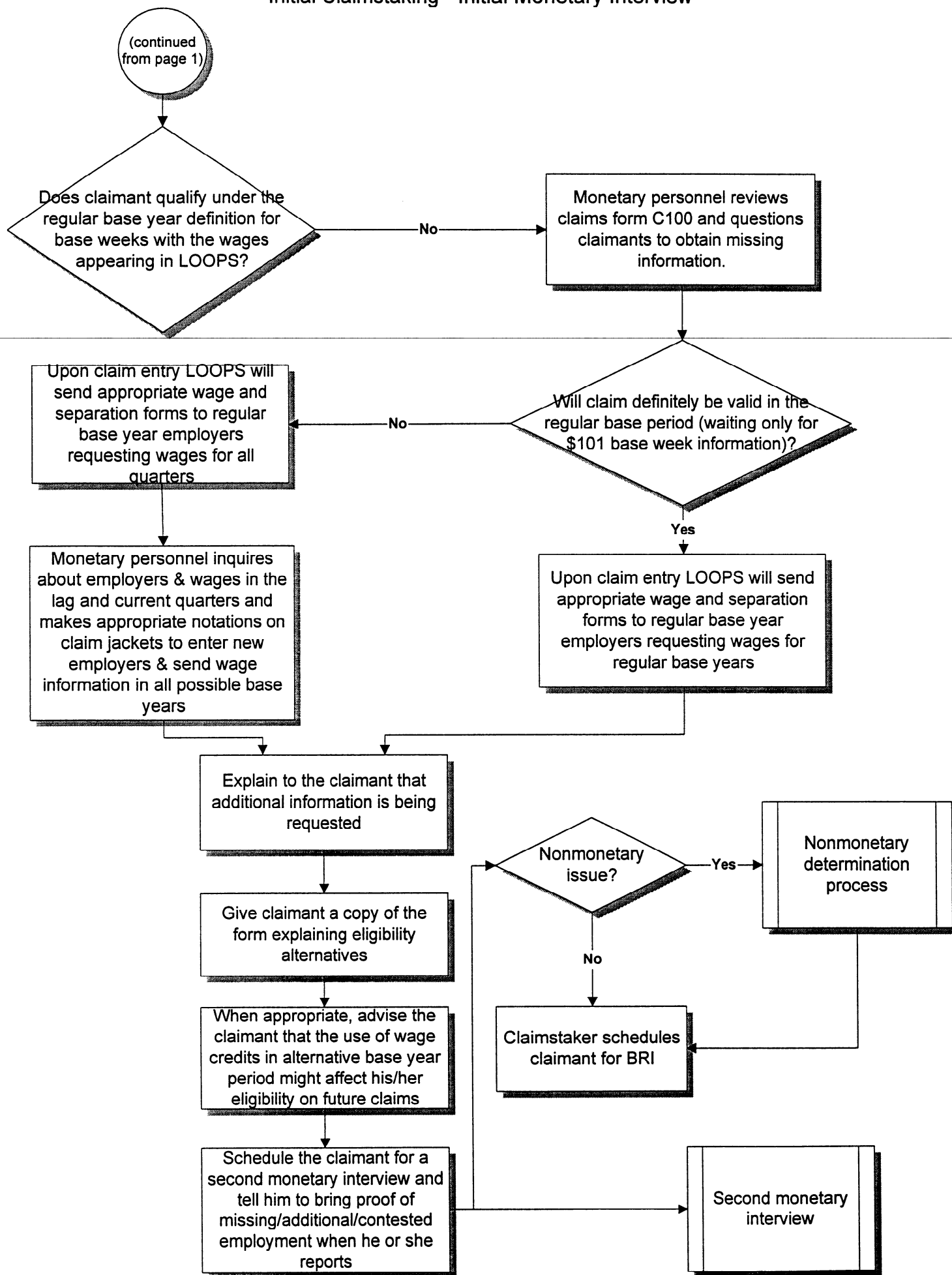
6 days = 42 hours  
168 days = 1176 hours

# APPENDIX I D: FLOWCHARTS FOR NEW JERSEY UI PROCESSES

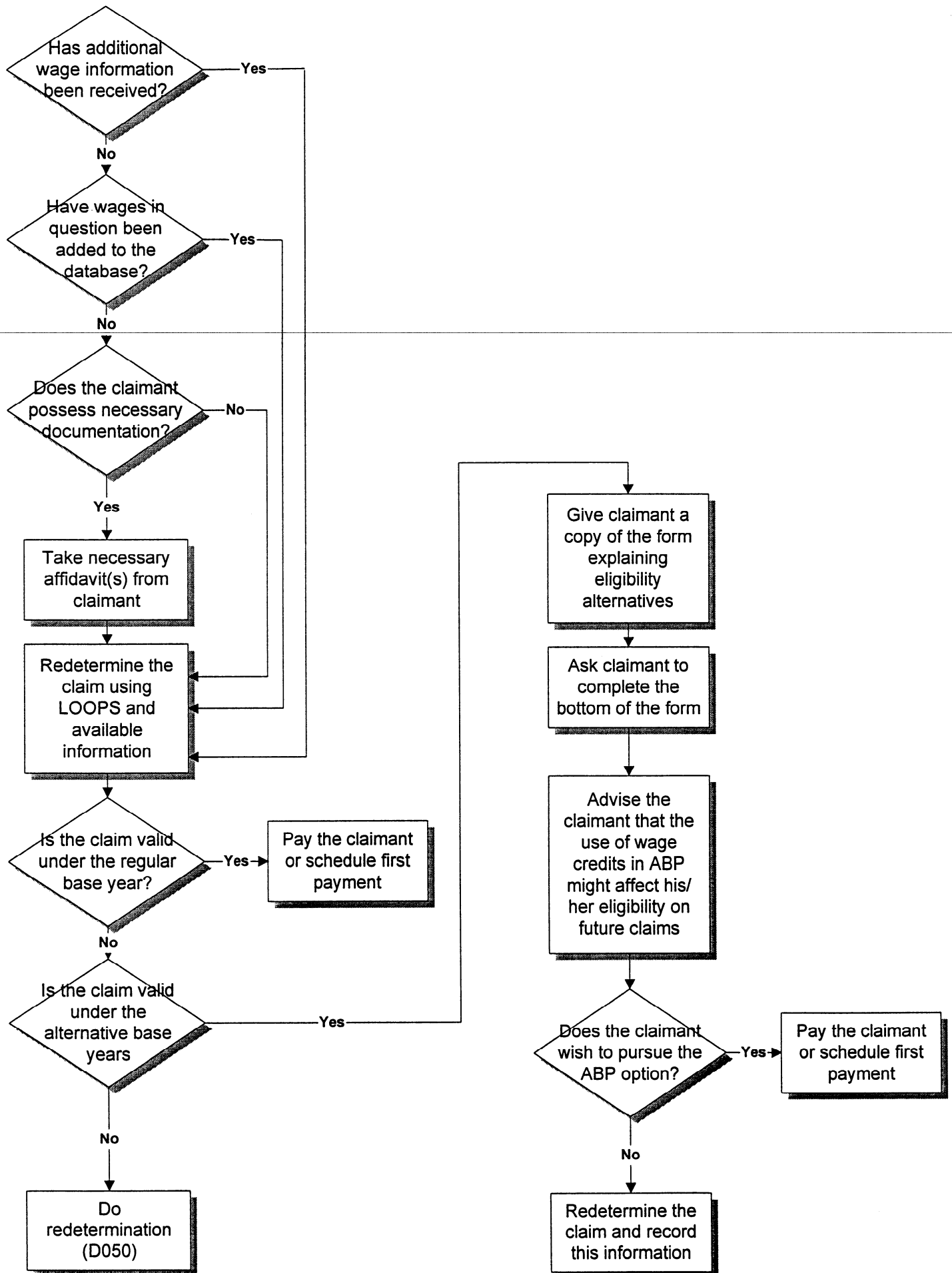
## Initial Claimstaking



## Initial Claimstaking - Initial Monetary Interview



## Second Monetary Interview



**APPENDIX IE**  
**ACTIVITIES TO HANDLE UI CLAIMS AT NJ DOL**

**INITIAL CLAIMSTAKING**

Check claimant's ID
Check claim documentation
Question claimant
Review and complete form
Perform premonetary calculation
Inquire about nonmonetary issues
Schedule nonmonetary interview
Send for initial monetary interview
Schedule for first payment

**INITIAL CLAIMSTAKING (INITIAL MONETARY INTERVIEW)**

Review claims form
Question claimant to identify missing information
Perform premonetary calculation
Inquire about employers and wages in the lag and current quarter
Make appropriate notations and indications on claims jacket and forms
Enter claims data
Add missing employers (lag or current quarter)
Send out request for wages and separation information
Explain to claimant that additional information is being requested
Explain the various eligibility alternatives to the claimant
Advise the claimant that use of wage credits in the ABP might affect his or her eligibility on future claims
Schedule the claimant for a second monetary interview and tell him or her to bring proof of missing / additional / contested employment with him when he reports.

**HANDLE REPLIES TO WAGE REQUESTS**

Sort and prioritize the claims
Collate wage requests with claims file
Check if all the wages that were requested (or enough wages to make the claim valid) have been received
Redetermine the claim if enough wages are present
Review 21 day report and redetermine all ABP claims



## SECOND MONETARY INTERVIEW

Check and review all documents
Verify if additional wage information has been received
Add wage information to the database
Call employer(s) to obtain additional information
Check if (quarterly) wages have been reported and added to the database
Check if claimant possesses the necessary documentation
Take necessary affidavits from the claimant
Redetermine the claim using the available information
Check if the claim is valid under the alternative base periods
Give claimant a copy of the form explaining the eligibility alternatives
Advise the claimant that the use of wage credits in ABP period might affect his/her eligibility on future claims
Leave the claim as invalid, invalidate the claim, and record this information
Schedule claimant for the first payment

## NONMONETARY DETERMINATION

Check and review all documents
Interview claimant
Contact employer and arrange an in-person or telephone interview
Make a decision based on available information
Enter the determination on the computer
Send determination to claimant and employer
Make first payment if applicable
Perform related filing activity

## APPEALS

Record an appeal
Send claim documents to appeals
Schedule hearing
Notify parties
Prepare for hearing
Conduct hearing
Prepare decision
Review decision
Inform involved parties
Close-out and file maintenance

#### CONTINUED CLAIMS

Handle incoming continued claims mail
Check incoming continued claims mail
Return unprocessable mail to claimant
Handle late claims
Perform (random) checks on job search
Send checks to claimant
Notify ineligible claimant
Handle claimant inquiries about claims and checks
Related filing activity
Handle address and name changes

# APPENDIX I F

## VOLUME DATA FROM NEW JERSEY

Intrastate Regular UI New Claims 1/			
	1996 Regular	ABP	Total
January	50810	3701	54511
February	33206	2134	35340
March	31104	2065	33169
April	26940	1534	28474

Intrastate Regular UI Continued Weeks Claimed 2/			
	1996 Regular	ABP	Total
January	594754	50249	645003
February	543928	56474	600402
March	508116	54416	562532
April	481586	51061	532647

Intrastate Regular UI Nonmonetary determinations and Redeterminations 1/			
	1996 Regular	ABP	Total
January	11040	975	12015
February	12459	1137	13596
March	13413	1696	15109
April	13055	1597	14652

Eligibility Review Interviews	
1996 Total	
January	24375
February	21885
March	21608
April	23126

Benefit Appeals Filed - Lower Authority			
	1996 Regular	ABP	Total
January	2496	14	2510
February	2718	27	2745
March	3051	34	3085
April	3199	24	3223

Intrastate Affidavits	
January	801
February	539
March	577

Intrastate Wage Requests	
January	13068
February	8373
March	10465

Intrastate Second Monetary Interviews	
January	3701
February	2134
March	2065

Interstate Liable Regular UI New Claims 1/			
	1996 Regular	ABP	Total
January	3803	289	4092
February	2534	83	2617
March	2419	69	2488
April	2260	65	2325

Interstate Liable Regular UI Continued Weeks Claimed 2/			
	1996 Regular	ABP	Total
January	28087	1831	29918
February	28658	2896	31554
March	28903	3170	32073
April	25734	2858	28592

Interstate Liable Regular UI Nonmonetary Determinations and Redeterminations 1/			
	1996 Regular	ABP	Total
January	1326	35	1361
February	1263	58	1321
March	1423	54	1477
April	1366	102	1468

Benefit Appeals Filed Higher Authority			
	1996 Regular	ABP	Total
January	513	0	513
February	554	0	554
March	6111	3	614
April	611	7	618

Interstate Affidavits	
January	24
February	9
March	7

Interstate Wage Requests	
January	1000
February	472
March	641

Interstate Second Monetary Interviews	
January	289
February	83
March	69

## APPENDIX II A

### **COST PROJECTIONS IN OHIO: COST BREAKOUT FOR ALTERNATIVE BASE PERIOD**

#### ONGOING COSTS

The following estimate is based on figures that were used in the presentations made to the Ohio legislature and a FY 1988 workload of 370,000 cases.

Assume 370,000 case workload for 10-1-88 through 9-30-89.

Assume Premonetary fully functional by 4-1-89.

Assume that Premonetary implementation will reduce added initial processing time from 14 minutes to 2 minutes per application. Therefore, 12 minutes of processing time for each case during the first 6 months is implementation. Two minutes is a continuing cost because after Premonetary implementation the 2-minute activity will continue.

Therefore,

$$2 / 60 = 0.033 \text{ minutes per unit (MPU) (ongoing)}$$

$$0.033 \times 370,000 = 12,210 \text{ hours.}$$

$$12,210 / 1757 = 6.9493454 \text{ ( unadjusted person equivalents (PEs))}$$

$$6.9493454 \times 16 \% = 1.1118952 \text{ ( AS \& T adjustment. )}$$

$$6.9493454 + 1.1118952 = 8.0612402 \text{ permanent PEs needed for ongoing initial ABP processing.}$$

$$8.0612402 \times 2096 \text{ ( total paid hours )} = 16,896.359$$

$$16,896.359 \times \$11.00/\text{hr} \text{ ( average cost )} = \$ 185,859.94 \text{ needed for ongoing initial processing time.}$$

#### IMPLEMENTATION

If Premonetary is fully implemented by 4-1-89 , then the workload through 4-1-89 is estimated to be 50% of the total FY workload. Total implementation workload is 185,000. Twelve of the 14 minutes used are implementation costs. Therefore,

$$12/60 = 0.200 \text{ MPLI (implementation)}$$

$$0.200 \times 185,000 = 37,000 \text{ hours}$$

$$37,000 / 878.5 \text{ ( 1/2 paid work hours in FY )} = 42.117245 \quad \text{( unadjusted PEs)}$$

$$42.117245 \times 16\% = 6.7387592 \text{ (AS \& T adjustment)}$$

$$42.117245 + 6.7387592 = 48.856004 \text{ PEs needed for implementation period of 10-1-88 through 4-1-89.}$$

$$48.856004 \times 1048 \text{ (total paid hours in 1/2 yr.)} = 51,201.092 \text{ hours projected for}$$

implementation.

$51,201.092 \times \$ 11.00/\text{hr} = \$563,212.01$  needed for implementation of 4-1-89.

### ALTERNATIVE IMPLEMENTATION

If Premonetary not implemented until 5-1-89, then 7/12s of FY workload will be affected by implementation procedures and costs.  $7/12$  of workload =  $7/12 \times 370,000 = 215,833$  workload. Twelve of the 14 minutes for the first 7 months will be implementation costs. Therefore,

$2/60 = 0.200$  MPU ( implementation )  
 $0.200 \times 215,833 = 43,166.6$  hours  
 $43,166 / (7/12 \times 1757) = \text{PEs needed}$   
 $43,166.6 - 1,024.9166 = 42.11782$  PEs  
 $42,11782 \times 16\% = 6.7387491$  ( AS & T adjustment )  
 $42,11782 + 6.7387491 = 48.856569$  PEs needed for  
implementation period of 10-1-88 through 5-1-89.

$48.856569 \times (7/12 \times 2096) = 59,751.609$  hours projected for 5-1-89  
implementation.  
 $59,751.609 \times \$ 11.00/\text{hours} = \$657,267.69$  needed for implementation  
costs of 5-1-89.

### CORRECTIONS

Based on workload figures for October, November, and December 1988, 14.5% of the workload stems from ABP. Therefore,

$370,000 \times 14.5\% = 53,650$  potential ABP claims.  
75% ( estimated ) of all ABP claims potentially  
correctable due to timely receipt of employer wage items  
not on data base at time of filing of application or received  
subsequently in a timely fashion.  
 $53,650 \times 75\% = 40,238$  potentially correctable ABP claims.  
14 minutes per claim per correction.  
 $14 / 60 = 0.233$  MPU ( Correction )  
 $40,238 \times 0.233 = 9,375.454$  hours  
 $9,375.454 / 1757$  (pd wk hours per year) = 5.336 PEs  
 $5.336 \times 16\% = 0.85376$  ( AS & T adjustment )  
 $5.336 + 0.85376 = 6.18976$  permanent PEs needed for  
corrections.

$6.18976 \times 2096 = 12,973.736$  hours  
 $12,973.736 \times \$ 11.00/\text{hour} = \$ 142,711.09$  needed for  
corrections.

### SUMMARY OF COSTS

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Total projected costs if full Premon implementation accomplished by 4-1-89 =

\$ 563,212.01 implementation

\$185,859.94 continuing

\$142,711.09 corrections

\$891,783.04 total projected costs.

Total projected costs if full Premon implementation  
accomplished by 5-1-89

\$657,267.69 implementation

\$185,859.94 continuing

\$142,711.09 corrections

\$985,838.72 total projected costs.

**APPENDIX II B**  
**ABP-RELATED ACTIVITIES IN OHIO**

**ONGOING**

**(PREMONETARY IMPLEMENTED 4-1-89 OR 5-1-89**

Applicant files application

Database accessed

Premonetary processed (optional step depending on regular BP information available on system)

If Premonetary reveals potential disallowed application, then ABP application is processed by:

Accessing lag quarter on data base.

If lag quarter information is available, then system generates ABP monetary claim by inputting ABP application.

If no lag quarter information is available, claimant will be questioned. Applicant will list lag quarter information on application. Claimant affidavit will be taken for lag quarter employment and the information entered into the system will generate monetary eligibility determination.

If Premonetary was not accessed due to application apparently being valid without needing ABP info and system determines that ABP is in fact needed:

System will not process monetary eligibility determination

Daily information sheet (system generated) sent to local office to check ABP.

Lag quarter wage information will be accessed on system. Information will be printed (hard copy made). Claimant will be questioned to determine if additional employment (either regular BP or ABP) is not on system. Additional employment history is obtained by affidavit. Additional employment will be key entered into system at local office level. System will generate new determination.

**Prior to Premonetary Implementation**

Costs have been incurred and are being incurred for the following.

Monitoring legislative process

Drafting agency policies, including :

UC letter of October 1988 that did not get issued due to changes in operating capabilities. IOC to field of 10-14-88 advising of law passage

UC letter of 11-8-88 giving ABP processing instructions to field. This letter included:

Policy guide revisions

WRBSQM revisions (user's manual instructions)

Meetings

Conversion committee, steering committee, UCAC Staff meeting in UC division.

Interdivision meetings (e.g., UC and DP)  
Regional meetings  
Local office and central office on-the-job-training

**These costs will be incurred again because Premonetary implementation will change operating procedures.**

#### Data processing

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Costs have been incurred for the following activities:

Programming access to lag quarter BP information on system

Holding potential disallowed applications

Development of daily information report that notifies local office personnel to check ABP on potentially disallowed applications.

Placing “flags” on lag quarter base period information to show that the quarter has been used in processing an application.

Developing a wage record adjustment information report that notifies local office that additional base period information has been received that could affect an applicant’s monetary entitlement. These reports can cause the correction process to occur.

#### Enhancements

These costs are continuing:

Editing the wage record adjustment information report so that only timely lag quarter reports will appear. The legislation that was passed requires corrections to be made to an ABP application only when timely lag quarter reports are received by the agency.